

Shamir, in Talks With Reagan, Urges Tighter Economic and Military Ties

The Associated Press

WASHINGTON — Prime Minister Yitzhak Shamir of Israel on Monday proposed to President Ronald Reagan ways to strengthen U.S.-Israeli military and economic ties and ways to counter what both nations say is a Soviet-backed threat in Lebanon.

The discussions follow overtures

U.S. and Israeli officials said they expected agreement on closer military cooperation, such as building a U.S. arms depot in Israel and joint military exercises, as a signal to Syria and its Soviet backers that they will not have a free hand in Lebanon.

The United States has begun increasing aid and concessions to Israel, reportedly to try to pressure Syria and attain Israeli flexibility toward other Arab countries regarded as moderate by the United States.

After an initial meeting with Mr. Reagan, Mr. Shamir, who is on his first visit to the United States as prime minister, said he had had "very friendly and good talks" and expressed hope that his three-day visit would "contribute to the deepening and strengthening of the friendly relations."

Also attending the meeting at the White House were Vice President George Bush, Secretary of State George P. Shultz, Defense Secretary Caspar W. Weinberger, Defense Minister Moshe Arens of Israel and Donald H. Rumsfeld, Mr. Reagan's special envoy to the Middle East.

Larry M. Speakes, the deputy White House press secretary, said Mr. Reagan had outlined what the United States considers the major agenda items for meetings with Mr. Shamir and Mr. Arens.

President Amin Gemayel of Lebanon is to arrive in Washington Wednesday to continue top-level talks with U.S. officials.

A senior U.S. official said Syria would have to take into account closer U.S.-Israeli cooperation in deciding its moves in Lebanon.

"The United States and Israel are in close accord for policy regarding Lebanon, and we will continue to work closely for the goals we all seek in Lebanon," Mr. Speakes said.

He said Mr. Reagan "stressed that we will continue to improve our cooperation with Israel while at the same time continuing our relations with moderate Arab states."

Among crimes formally regarded as "particularly dangerous" under the new law are anti-Soviet agitation and propaganda, a charge under which many human rights activists have been convicted, and treason, the charge under which the Jewish activist, Anatoli Shcharansky, is currently serving a 13-year sentence.

The most charitable interpretation of the new law is that it is meant to deter prisoners like Mr. Shcharansky from carrying out work stoppages and hunger strikes, which have been increasingly frequent in the last several years. Last year, Mr. Shcharansky, a leading campaigner for Jewish emigration, staged a four-month hunger strike in Chistopol prison, 500 miles (808 kilometers) east of Moscow on the Volga River, after correspondence with his family was cut off.



The crew of the space shuttle Columbia leaving their quarters Monday for the launching pad: From left, Robert A.R. Parker, Brewster H. Shaw Jr., Owen K. Garriott, Ulf Merbold, Byron K. Lichtenberg and John W. Young.

Shuttle, European Lab Sent on 9-Day Mission

(Continued from Page 1)

ing studies of the upper atmosphere, Earth observations, astronomy and solar physics studies, biological sciences, materials processing and investigations of electrified gases from the sun.

James Beggs, the NASA administrator, said Spacelab was the largest international cooperative space project to date and the most ambitious program undertaken in the shuttle flight program, which began with Columbia's initial mission in April 1981.

Spacelab was developed by 10 European nations at a cost of \$1 billion and given to the United States as Western Europe's contribution to the U.S. space transportation system. In return, NASA is

buying a second Spacelab from

The scientific instruments in Spacelab's lockers and on an outside platform are the products of scientists from 11 European countries, Japan, Canada and the United States.

The flight originally was scheduled for Sept. 30 but was delayed until Oct. 28 to give engineers additional time to ready NASA's new tracking and data relay satellite for the task of relaying great amounts of scientific data from Spacelab to Earth.

Two weeks before the launch date, the mission was postponed another month because of a possible problem with one of the ship's booster rocket nozzles. The booster was replaced.

Summit May Revive Israeli-U.S. Discord

(Continued from Page 1)

later suspended by Washington. "I don't necessarily aspire to a document," he said, "but there must be full mutual understanding and agreement in those areas where we are in accord, understanding on practical steps to take in order to achieve common objectives."

The possibilities and limitations of strategic cooperation have been

illustrated in Lebanon, where, despite shared goals, the United States and Israel have been entirely out of synchronization with each other.

In June 1982, when Israel was on the offensive against Syrians there, an ultimatum from Mr. Reagan stopped the assault before completion. By this September, when Israel had scaled down its objectives, Washington was pressing Israel to present itself as what U.S. officials called "a credible threat" against Syrian efforts to topple the government of President Amin Gemayel of Lebanon.

Israel also wants the Gemayel government to survive, and possible efforts to help it are on the agenda for the visit. The Lebanese president is to arrive in Washington on the day of the visit.

But Israeli officials are bitter about U.S. advice to Mr. Gemayel to avoid casting his lot with Israel, lest he lose the vital connections with the Arab world upon which his country depends for trade and banking business.

The Israeli radio, quoting Israeli officials, reported Sunday that the United States will seek to cancel the political elements of the Israeli-

Walesa Plans Major Speech At Memorial

Protest Actions Predicted Over Food-Price Boosts

The Associated Press

WARSAW — Lech Walesa, the Solidarity leader, disclosed plans Monday to speak publicly in Gdansk next month, and an underground militant of the banned trade union predicted that planned increases in food prices in January will cause strikes.

Mr. Walesa, who has joined an underground call for struggle against the price increases, told the mayor of Gdansk, General Mieczyslaw Cygan, in a letter Saturday, that he intends to lay flowers and speak at a Solidarity monument outside the Lenin shipyard on Dec. 16, the 13th anniversary of the killing of scores of striking workers.

"I deeply believe that the placing of the flowers will be peaceful and calm and hope that nobody will disturb the solemnity of that moment and place," Mr. Walesa said in the letter, read by telephone from his apartment by a secretary.

He said he would appear at the memorial during the midafternoon shift change, when thousands of workers pour out of the shipyard, birthplace of Solidarity in August 1980. The Communist authorities have prevented Mr. Walesa from speaking there since his release from an 11-month martial law imprisonment in November 1982.

Mr. Walesa announced after he won the Nobel Peace Prize on Oct. 5 that he would outline his future policy in a speech at the monument Dec. 16, although his letter to the mayor said only that he would "present my opinion of the 13th anniversary."

Meanwhile, in a clandestine interview dated Friday and handed to Western correspondents on Monday, a Solidarity underground leader, Zbigniew Bujak, predicted "major protest actions, including strikes," against the food-price increases, which the government says will raise the average cost of living by 7 percent.

WORLD BRIEFS

Toll in Madrid Jet Crash Is Set at 185

MEDIANA DEL CAMP, Spain (UPI) — An investigation was continuing Monday into the crash early Sunday of an Avianca Airlines Boeing 747 that killed 185 of the 196 persons on board. The Colombian airline originally said 183 had died in the crash near Madrid's Barajas Airport.

Doctors said all 11 survivors were out of danger. One survivor, Patrick Negrin, 29, a Frenchman, said the plane, which was on a Paris-to-Barcelona flight, appeared to be headed for a normal landing when an engine on the right wing caught fire. He said passengers then felt a jolt, and added, "That's when everything blew up." His wife and two young children also survived.

Authorities said the plane apparently grazed one hill, bounded, hit another, then flipped over and smashed into a third hill. Aviation officials said a fire in one engine would not alone have prevented the plane from landing safely, and they were seeking clues in information provided by the plane's in-flight recorder, which was recovered Sunday.

Swedes Find More Computer Gear

STOCKHOLM (Reuters) — Swedish customs have found two more consignments of computer equipment, apparently connected with goods that the United States said were being smuggled to the Soviet Union, a customs official said Monday.

Björn Eriksson, director-general of the customs authority, said that his officials were examining software for data-processors which arrived in Stockholm last week. He said that the equipment seemed to be connected with that which is being held up for examination in Helsingborg, but that it was too early to decide how it should be classified.

The United States has said that the equipment in Helsingborg consisted of components for a highly advanced computer capable of guiding missiles systems.

Marseilles Police Question Racketeer

MARSEILLE (AP) — Police on Monday were questioning Gaetan Zampa, who is often described as the chief of the crime organization that controls much of the protection and loan sharking racket in this Mediterranean port.

Mr. Zampa, 50, was arrested Sunday at a camp site outside Marseilles. He had been the object since last month of an international warrant in connection with a major investigation of his financial activities. His criminal record dates to 1969 but he has never served a long prison sentence.

Police believe he is behind many of the killings linked to racketeering in Marseilles in recent months. They claim that he had tried to launder proceeds from illegal activities by investing in movies, racing real estate and by buying up many of the city's nightclubs. His wife and 21 other associates were arrested and dozens of documents were seized in a police raid Oct. 19.

Palestinians Told to Return to Camps

TRIPOLI, Lebanon (UPI) — Arab mediators told Yasser Arafat's followers and their Syrian-backed Palestinian opponents Monday to leave Tripoli and return to their refugee camps.

Damascus Radio said Rashid Karame, a former Lebanese prime minister, announced plans for the dispersal of the warring Palestine Liberation Organization factions after long meetings in the Syrian capital with Tripoli officials.

Mr. Karame did not mention Mr. Arafat's fate or his destination. Nor was there an immediate response from the PLO leader or the rebels to the plan, part of a Syrian-Saudi cease-fire agreement reached last week.

Monday's move apparently followed an "urgent message" from King Fahd of Saudi Arabia to Syrian officials, Beirut Radio said.

EC Aides Fail to Agree on Reforms

BRUSSELS (AP) — Senior European Community representatives, strongly defending national interests, failed to agree Monday on major economic questions in preparation for a summit meeting starting Sunday in Athens.

The foreign and finance ministers planned to finish up their preliminary talks Tuesday with a final report to present to the summit, which will involve heads of government. It will contain a list of the major problems and how each country feels they should be solved.

An EC official said Monday's talks were "just a juxtaposition of long-held positions with no progress." Among the issues are limits on the EC agricultural budget and a redistribution of the financial burden borne by each of the 10 countries.

Dutch Postal Strike Ends, Others Begin

AMSTERDAM (Reuters) — Dutch postal workers were attempting Monday to clear a backlog of mail after ending a three-week strike over government plans to reduce public-sector wages.

As they returned to work, stoppages began in some telecommunication centers. The northern part of the Netherlands was affected Monday by a 24-hour mail strike.

The postmen were ordered Friday by a Hague court to end their strike, which began Nov. 7 in a protest against government plans for a 3-percent cut in public-sector pay next year and further wage reductions in 1985 and 1986. The government has won support in parliament for its plans and appears certain to win parliamentary approval in a vote next month.

For the Record

Richard von Weizsäcker, 63, the mayor of West Berlin, was formally nominated Monday by Chancellor Helmut Kohl to succeed Karl Carstens as president of West Germany in May. His election to the largely ceremonial post is considered assured.

Viktor Korolev, a Soviet defector, maintained a lead of one point over Gary Kasparov of the Soviet Union on Monday after a draw in the fourth game of their world chess championship semifinal series in London. Mr. Korolev now leads the 12-game series by 2½ to 1½. (Reuters)

In Chad, the factions in the civil war have agreed to meet in Addis Ababa, Ethiopia, headquarters of the Organization of African Unity, next month to work out a peace settlement, the Middle East News Agency reported Monday from Khartoum, Sudan. (UPI)

U.K. Giving Grenada Funds For Public Works and Police

(Continued from Page 1) some Caribbean leaders who supported the invasion, senior government associates confounded against any premature conclusion that she has softened her belief that it was unnecessary.

She still maintains they said, that President Ronald Reagan's action violated international law.

Nevertheless, she has insisted that there must be no public condemnation of the invasion and has persuaded officials from southern



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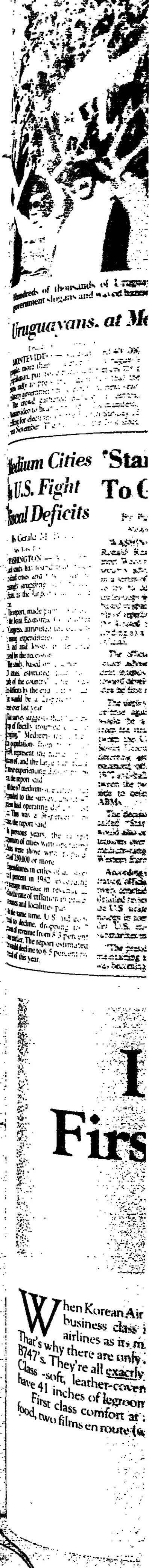
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Hundreds of thousands of Uruguayans chanted anti-government slogans and waved banners at a Montevideo rally at which they demanded an end to 10 years of military rule and the scheduling of elections next year.

Uruguayans, at Mass Rally, Demand Elections in 1984

United Press International

MONTEVIDEO — An estimated 400,000 people, more than 10 percent of Uruguay's population, put aside party differences for a mass rally to press their demands that the military government hold elections next year. The crowd gathered Sunday in central Montevideo to hear a reading of a manifesto calling for elections on the fourth Sunday of next November. The rally was the first since

1938 in which the two main centrist political parties, the Blanco and Colorado, joined with leftist, conservative and center-left parties in a combined demonstration. It also was one of the rare gatherings to receive a permit from the government. General Hugo Medina, commander of the Third Army, said Saturday that he considered the demonstration positive. Julio Sanguinetti of the liberal Colorado

party called the demonstration "a plebiscite," saying that "the people have decided there will be elections in 1984."

Alberto Candau, an actor, read the 40-minute manifesto ending, "Long live democracy," and Lech Walesa, head of Poland's banned trade union Solidarity, was among those sending telegrams in support of the rally.

Medium Cities' Star Wars' Defense Plans Expected To Get Reagan Approval at Meeting

By Patrick E. Tyler
Washington Post Service

WASHINGTON — A congressional study has found that medium-sized cities and towns are increasingly struggling with budget deficits, as the largest cities have done.

The report, made public Sunday by the Joint Economic Committee of Congress, attributed the deficits to rising expenditures, declining U.S. aid and losses in revenue caused by the recession.

The study, based on a survey of 321 cities, estimated that two-thirds of the country's cities may face deficits by the end of the year. That would be a 21-percent increase over last year.

The survey suggests that "a new group of fiscally-troubled cities is emerging." Medium-size cities, with populations from 50,000 to 99,999, represent the highest proportion of, and the largest increase in, those experiencing deficit problems, the report said.

Of the 67 medium-size cities that responded to the survey, about 47 percent had operating deficits last year. This was a 36-percent increase, the report said.

In previous years, the largest proportion of cities with operating deficits were those with populations of 250,000 or more.

Expenditures in cities of all sizes rose 8 percent in 1982, exceeding the average increase in revenue as well as the rate of inflation in prices that states and localities pay.

At the same time, U.S. aid continued to decline, dropping to 7 percent of revenue from 8.3 percent a year earlier. The report estimated that would decline to 6.5 percent by the end of this year.

"It," said the official, who spoke on the condition that he not be identified. "What the president wants is to leave a legacy where a better family of choices will be available to his successors."

The official said the president believes that by pursuing the development of defensive weapons, the United States would gain leverage in arms reduction negotiations. He said the president has emphasized coupling each step of the ballistic missile defense program to the arms control process.

In addition, he said there is a consensus in the Reagan administration that the Russians are undertaking a long-term program to develop defensive weapons.

"We have no evidence that they are about to put up a system that is going to change the 'balance of power,'" he said. "But on the other hand we believe that if we do nothing, they will achieve that. What we are proposing to do is join the same race. And we think we can probably win."

Mr. Reagan announced in March that he was mobilizing the scientific community "to define a long-term research and development program to begin to achieve our ultimate goal of eliminating the threat posed by strategic nuclear missiles."

A scientific panel headed by James C. Fletcher, a former director of the National Aeronautics and Space Administration, spent five months evaluating technologies that might be used for ballistic missile defense. It produced an eight-volume classified report for the National Security Council.

Meanwhile, a recommendation that the president proceed with his plans was sent to him Oct. 18 from a senior interagency group that in-

Pressure Grows in U.S. For Reporters' Sources

By Jonathan Friendly
New York Times Service

NEW YORK — Prosecutors and criminal defendants are increasingly demanding and sometimes obtaining the names of confidential informants who lead journalists to news stories.

Lawyers who represent the press say trial court judges have acceded to those demands despite state laws enacted specifically in the past decade to shield reporters and their confidential sources. News organizations have been fined and reporters have received jail sentences for defying the court orders.

Decisions against the press in recent months include these:

- A New York appellate court ordered a Schenectady television reporter to tell a grand jury who had disclosed to him that a grand jury had recommended removing a sheriff. A second grand jury is investigating whether the disclosure to the reporter was itself a crime.

- The Idaho Supreme Court upheld the jailing of a reporter and a fine against her newspaper for refusing to help a husband find his child, reported kidnapped. The reporter had interviewed the man's estranged wife, who had fled with the child.

- Maryland's highest court ordered a reporter for The Washington Post to testify about prisoners in a suburban jail who had told her they had been sexually attacked and to be a witness against inmates who admitted such attacks to her. Her articles about the jail won a Pulitzer Prize.

A study presented last week at an annual meeting of lawyers in the communications business counted 67 such cases from September 1982 to September 1983, more than double the total of the previous 12-month period. Reporters won a majority of the cases, 37, but the study found that the ratio of victories to losses had declined.

The issue arises from a conflict between two sets of public interests.

On the theoretical level, journalists say that society is best served if news is gathered independently of government and that making a reporter serve either a prosecutor or a defendant weakens that independence. They say sources often give information because they want to right a wrong but fear reprisals if they are identified.

Defendants and district attorneys, however, argue that, as a practical matter, any information bearing on a case ought to be available to both sides to enhance the chances of a just trial. That view was supported by a 1973 U.S. Supreme Court decision, Bramburg vs. Hayes, that journalists had no special constitutional right to avoid telling a grand jury about crimes they had witnessed.

The court, however, was sharply divided, 6-3, in the case, and its ruling invited states to fashion shield laws to grant a qualified privilege to reporters in criminal and civil cases. So far, 26 state legislatures have passed such laws, most of them stipulating reporters can be forced to testify only if it can be proved that the information is vital and that all other ways of getting it have been exhausted.

Most of the problem for the press comes in criminal actions such as the case that Maryland prosecutors brought after the Washington Post series about sexual abuse in jail.

The reporter, Loretta Tofani, argued in the Maryland Court of Appeals that prisoners would not have spoken to her if they had known the interviews would become the basis for criminal charges against them. The prosecutors now

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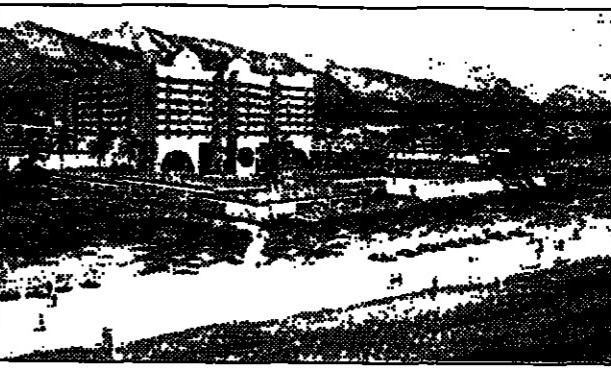
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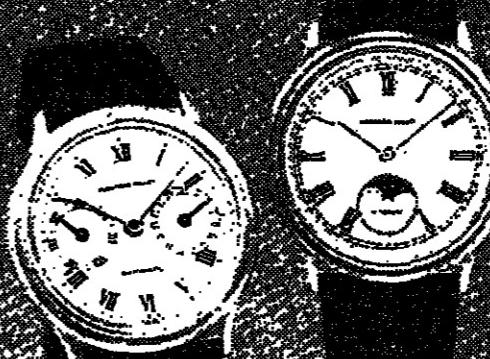
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Philippine riot police carrying clubs and shields corner three young men who were suspected of throwing homemade bombs at them during a night of riots in Manila.

General Strike Call in Philippines Draws Little Response

Washington Post Service

MANILA — A one-day general strike called by opponents of President Ferdinand E. Marcos failed to take hold Monday in what was seen as a setback for anti-government forces. Most stores, offices and banks

remained open, transportation was normal, and many people came to work as usual, even in the Makati business district, a center of opposition activity.

On Sunday, there were violent incidents during opposition rallies, and the turnouts were short.

By William Claiborne

Washington Post Service

NEW DELHI — The military ruler of Bangladesh, Lieutenant General Hussain Mohammed Ershad, imposed a curfew Monday on the capital of Dhaka and suspended his two-week-old relaxation of martial law regulations banning political activity following battles between security forces and 25,000 opposition demonstrators, the state radio said.

General Ershad, in an unscheduled radio broadcast, announced that strikes, demonstrations and political meetings are banned throughout Bangladesh, and that the 3 P.M.-to-5 A.M. curfew will be enforced until further notice.

According to news agency reports from Dhaka, the opposition demonstrators tried to break through a cordon of police surrounding the martial law secretariat in the capital and that, when police failed to disperse the crowd

with a baton charge and tear gas, army troops were called in.

In his radio broadcast, General Ershad referred to "widespread violence" in which 15 vehicles parked in front of the secretariat were burned and some martial law administration employees were manhandled.

There was no immediate confirmation of agency reports that four persons were killed and more than 300 injured in the clashes.

General Ershad accused opposition leaders of instigating strikes by industrial and government workers and said that the political parties had sought to undermine his attempts to restore democratically elected government to Bangladesh.

On Nov. 14, General Ershad, who seized power in a bloodless coup in March 1982, unexpectedly announced that presidential elections would be held next May and parliamentary elections would be held the following November.

At the same time, he relaxed

martial law regulations in effect for the last 19 months, lifting all restrictions on political activity but warning that he would not tolerate violence if the opposition took advantage of his "lenient" policy.

Bangladesh's two main opposition alliances, a 15-party union headed by the Awami League and a seven-party combine headed by opposition leader Khanda Zia, immediately rejected General Ershad's proposal and demanded that parliamentary elections be held before the presidential poll. The groups also demanded immediate release of all political prisoners.

The opposition groups said they planned to go ahead with plans to form a human chain around the sprawling martial law headquarters Monday and prevent the military government from functioning.

General Ershad abruptly left a meeting of Commonwealth heads of government here Saturday and returned to Dhaka, giving no explanation at the time.

Commonwealth to Increase Pressure On U.S., South Africa Over Namibia

By William Claiborne

Washington Post Service

NEW DELHI — Leaders of the Commonwealth nations agreed Monday to step up diplomatic pressure on the United States and South Africa to abandon their demands for withdrawal of Cuban troops from Angola as a prerequisite for the independence of South-West Africa, which is also known as Namibia.

In a closed-door debate on the sixth day of the Commonwealth meeting here, the leaders agreed that the two-year-old effort by a group of five Western nations to resolve the Namibia issue had been stalled.

Leaders here suggested that the five-nation group directly approach the Reagan administration in an effort to change its policy on the question of Namibian independence from South Africa, conference officials said. The contact group comprises the United States, Britain, Canada, West Germany and France.

A Commonwealth spokeswoman, Patry Robertson, said the member nations rejected any form of linkage between Namibian independence and withdrawal from Angola of the approximately 20,000 Cuban troops there.

She said that Monday's debate was marked by "sadness, puzzlement and a certain amount of dismay" over a U.S. policy "based on misconceptions of the real principals at stake, deriving from its total preoccupation with East-West tensions."

Sources said that a final Commonwealth communiqué to be issued Tuesday is expected to censure South Africa for allegedly destabilizing neighboring countries and for its racist policies. However, conference officials said there was no direct call for breaking off diplomatic ties with South Africa.

Conference sources said that Prime Minister Margaret Thatcher of Britain told the delegates that merely denouncing linkage would not accomplish anything, but that constructive efforts were needed.

Meanwhile, President Spyros

Kyprianou of Cyprus called the recent Turkish Cypriot declaration of independence a "terrible precedent for all the small countries of the world." He welcomed a Commonwealth decision to form a five-member group to resolve the crisis. The group is to seek to implement a United Nations Security Council resolution calling for nonrecognition of the new state and a reversal of the independence declaration.

Also Monday, the Commonwealth leaders established an eight-member group to promote an international conference to restructure world monetary institutions.

"We share a common belief that

the Bretton Woods institutions need to be readapted and better equipped to help cope with the full magnitude of the global crisis," said a communiqué. "These institutions need the resources and operational flexibility to meet the changing requirements of the international economy."

The reference was to the International Monetary Fund and the World Bank, which were created after a 1944 conference in Bretton Woods, New Hampshire.

The study group will submit its report to Commonwealth finance ministers when they meet next September in Toronto.

53 Are Killed in Nigeria As Airliner Crashes in Fog

The Associated Press

LAGOS — A Nigerian Airways F-28 jetliner with 74 persons aboard crashed in fog Monday near a southern Nigerian airport, killing 53, the Nigerian News Agency reported.

There were 18 known survivors. All but one of them, a Briton, were injured, and rescue workers were searching for three persons missing at the crash site, about two miles (3.2 kilometers) from Enugu airport, 300 miles east of Lagos, where the flight originated.

"I first managed to get some fresh air from the window before a desperate but successful bid for safety," said Andrew Winshurst, the Briton who was not injured.

The Lagos-based businessman quoted the pilot of the Fokker twin-jet as announcing to passengers shortly before the crash that

there was poor visibility because of fog.

An earlier report said the plane caught fire in midair before the crash. Many of the bodies were burned beyond recognition, the agency dispatch from Enugu said.

The aircraft, which has a maximum capacity of 85 persons, was on an early morning flight from Lagos, the Nigerian capital, to Enugu, capital of Anambra state in southern Nigeria.

The Nigerian Broadcasting Corp. said its reporter saw 53 burned bodies scattered over a farm where the crash occurred.

The reporter said the plane was reduced to ashes and chunks of burning metal thrown over a wide area. He said government and airline officials searched the site for government documents believed to have been on the plane.

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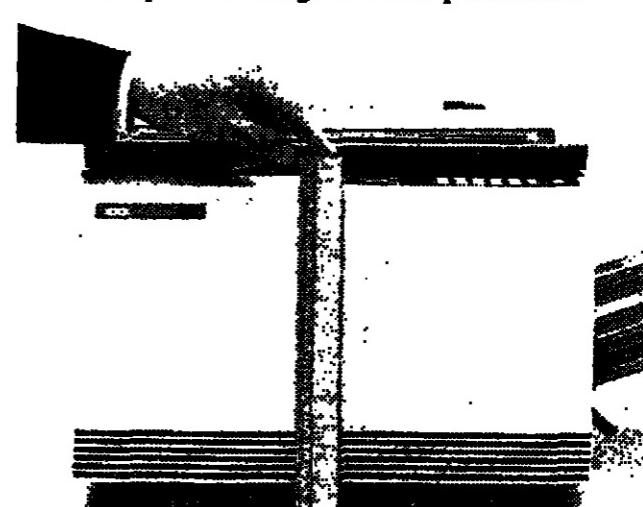
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But what really makes the Xerox 1020 a Marathon is how it's been designed to run.

The 1020 copier's powerful microprocessor and other advanced electronics have greatly reduced the need for moving parts that can

break down. And every one of the 1020 copier's major components



has had to pass an unprecedented array of stress tests.

But one feature the Xerox 1020 Marathon copier doesn't share with big copiers is a big price. In fact, the 1020 is the lowest-priced copier Xerox has ever introduced.

All of which makes it a copier you can afford in the short run while it works for the long run.

The Xerox 1020 Marathon copier. Built with the endurance to win.

West German Confidence in U.S. Cooperation Falls Sharply, Poll Shows

By Charles Mitchelmore
International Herald Tribune

PARIS — West Germans, more than any others polled in the latest survey of industrialized countries, appear to have lost confidence in trans-Atlantic cooperation as the key to Western security.

One year ago, when the same question was asked in eight of the nine nations polled this autumn, West Germans ranked effective cooperation between Europe and the United States at the top of their list; with a 53 percent response to that option, they considered it more

important than did respondents in any other country surveyed.

In October, when the latest poll was taken, that item had dropped by 19 percentage points in West Germany to third place — behind continued dialogue and contacts with the Soviet Union (42 percent, up 11 points) and productive arms control talks (36 percent, no change).

Although there were slight differences in response according to party affiliation, confidence in cooperation with the United States dropped by 12 points among Social Democrats and 24 points among Christian Democrats and Christian Socialists. The leap in importance of

contacts with the Soviet Union was also registered across party lines, but it was most startling among CDU-CSU partisans — up 12 points over 1982 — compared with a 7-point increase among Social Democrats.

A similar trend, although not so pronounced, was noted in two other countries polled where U.S. missiles are to be deployed — Italy and the Netherlands. In Japan, where there was no comparable poll a year ago, continued contacts with the Soviet Union (33 percent) were clearly preferred over all other options.

In the United States, there were upward swings in the current poll in every area —

another indication of the heightened sense of concern found in this survey's opening question on what worries people today. But among Americans, as among Britons, the greatest leap in this autumn's poll on ways of achieving security were to productive arms control talks (39 percent, up 18 points from 1982) and continued dialogue with the Soviet Union. At 40 percent (up 15 points), contacts with Moscow were rated by Americans as equal to U.S.-European cooperation.

Almost as striking as the swing in opinion on military issues for Theo Loch, the Westdeutscher Rundfunk commentator, was the decline in

Western European economic unity as a means to Western security. In the latest poll, 21 percent of Germans questioned said that they believed economic unity was important, compared with 35 percent a year ago.

Responses to that option also declined in Spain (28 percent, down 16 points from 1982) and France (30 percent, down 12 points)

and by smaller amounts in all other European countries except Britain, where it went up one percentage point, generally considered too small a movement to be interpreted accurately.

"I think this decline in the public feeling about economic unity is terribly important,"

said Mr. Loch, "especially in view of this weekend's [European Community] summit in Athens, where the EC unity is once again tested."

That same point was underscored by Jan Gerritsen of NRC Handelsblad of Rotterdam. "European unity used to be part of the conventional wisdom for all Dutch people," he said.

"Many people have lost their European idealism. They no longer believe that the European Community can create new possibilities. There are no longer any real expectations when EC ministers meet. In the last year or two, we have seen too many meetings which ended without result."

Big Worry of 9 Nations Is Still Unemployment

International Herald Tribune

PARIS — Unemployment is the single most important concern of citizens surveyed in the major industrialized nations, just as it was in two previous international polls conducted for the International Herald Tribune.

But it has gone down in importance since March in all countries polled except France, Italy and Norway. In Japan, where unemployment in the summer reached the highest level in 30 years, the threat of war is the most important concern, mentioned by 42 percent of those questioned. In the last poll, in March, it tied with crime at 36 percent; Japanese concern with crime in the autumn poll decreased to 33 percent, a trend noted in four of the West European countries as well.

The Japanese and Europeans had already shown in the past two polls that they were worried about nuclear weapons and the threat of war, but the level of concern over the threat of war had actually declined in some European countries from last fall to last spring, dropping 8 points, to 34 percent, in France for example. In the latest survey, however, there was a 10-point increase in the French concern over threat of war, and it went up in all other countries except

Spain — up 12 points in West Germany, 11 in Italy, six in Japan and five in Britain.

But it was the Americans who registered the sharpest increase in concern in those areas, with nuclear weapons jumping to 37 percent from 18 percent a year ago and the threat of war moving to 45 percent from 23 percent.

Pollsters generally discount moves in public opinion of 3 percent, in either direction because of the margin of statistical error, so the fact that U.S. pollsters this time found no major differences in levels of concern except in security issues is worth noting. There was an approximate doubling of concern over the last year in nuclear arms and the threat of war, while inadequate defense as a worry has doubled since March — all reflective of the growing debate over security.

All five leading worries expressed by Americans in the 1982 poll related to domestic areas, mainly economic in nature. Now, war and nuclear arms are in second and fifth place.

Those intensified concerns were consistent, regardless of political party preference, profession or age.

Overall, 45 percent of Americans questioned are troubled by the threat of war, in a breakdown by party, it is 41 percent Republican, 49 percent Democrat and 43 percent independent.

This question, with which pollsters have begun their individual interviews in each of the three surveys sponsored by the Atlantic Institute, allows respondents to name as many items of concern as they wish — which is a device to show a general intensity level of worry in each country. The latest poll found little overall change in that level except in the United States, where persons interviewed in October noted one and a half times as many items of concern as last year.

Americans showed increased concern in all areas — even including the energy crisis, which has declined as a worry in other countries surveyed. But security problems were clearly predominant.

— CHARLES MITCHELMORE

Cooperation In Alliance

(Continued from Page 1)

fore the bombings of U.S. and French military installations in Beirut in all countries except France, Spain and Japan, but officials of Louis Harris said it did not appear to have any effect on results in those countries.

Richard D. Vine, a former ambassador for the United States in Western Europe, who now heads the Atlantic Institute, said the poll results on trans-Atlantic cooperation portrayed "a serious problem for the alliance" on two fronts.

"On this question," he said, "confusion is increasing and partisanship — or the tendency to treat this as a political party issue — is increasing, and that is not good news for the alliance."

Mr. Vine added that the data showed that "it is increasingly incumbent on the United States to emphasize arms control and a build-down of nuclear weapons systems as a concrete objective for NATO. If we can do this — and put security issues back where they belong in security — it is quite likely that this trend can be reversed because the other data are basically positive for NATO."

The decline in Europeans' confidence in cooperation with the United States is an important element of that question. In West Germany, where the shift in opinion appeared most startling in the latest survey, Theo Loch, a commentator for the Westdeutscher Rundfunk network, notes that "historically, there has always been a split between what you might call the pro-American bloc and the pro-Russian — not pro-Soviet ever, but pro-Russian — bloc of people."

"But beyond that today," Mr. Loch continued, "the tendency toward anti-Americanism in Europe today is stronger than ever before. There are many reasons you could advance for this, but I believe that the characteristics of the Reagan administration policy as confrontational are important to it."

Spain, Italy Reject Nuclear Arms Use

International Herald Tribune

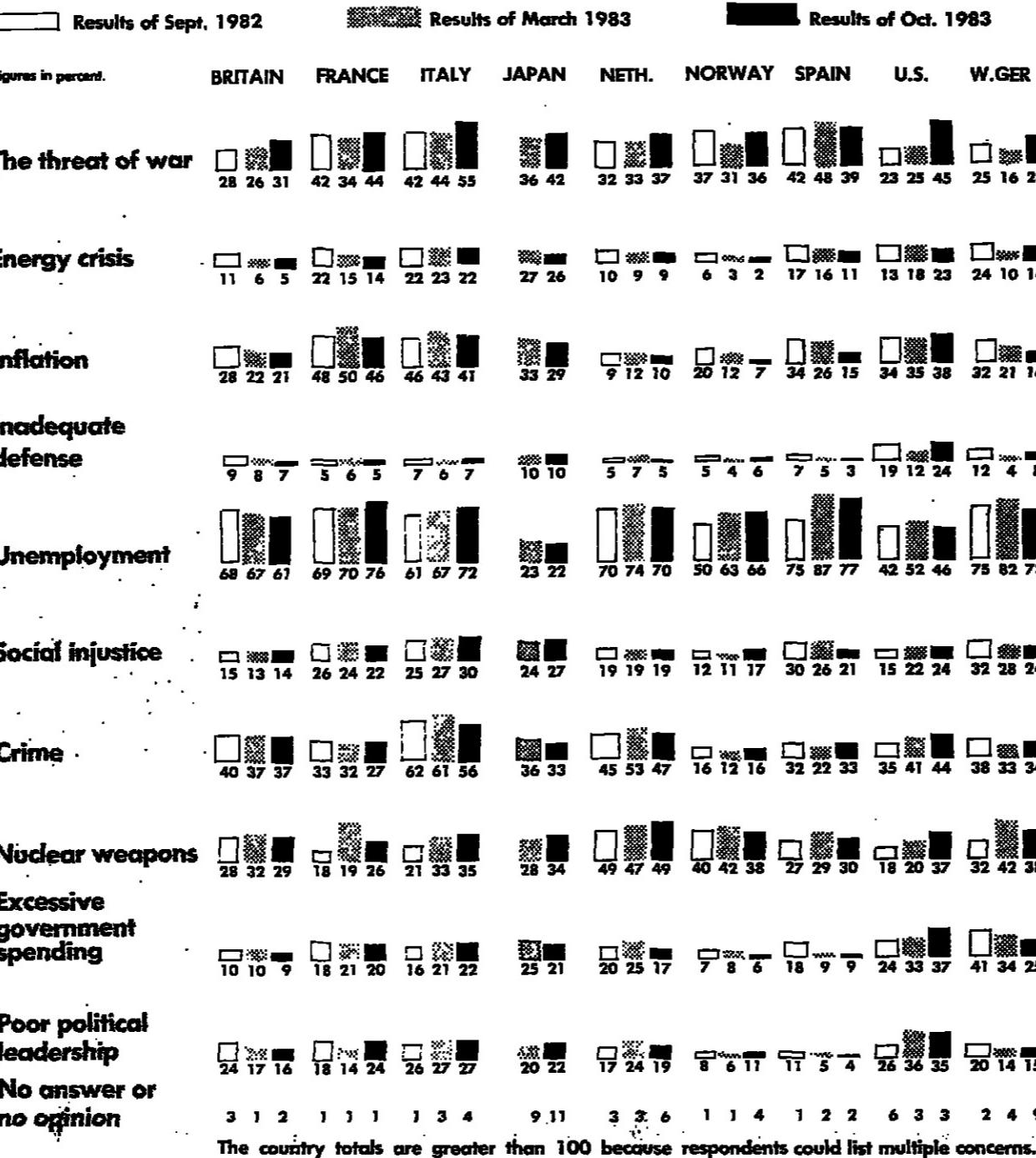
PARIS — Italians and Spaniards believe, almost as strongly as Japanese, that nuclear weapons should not be used in any circumstances — even if their countries were attacked with nuclear arms.

The 3-to-1 anti-nuclear response to a poll question in Japan, the one country which has suffered nuclear attacks, is not surprising. In Spain, the result was nearly as strong, and the anti-nuclear sentiment in that country cut through all age, professional and sex distinctions.

The only difference was according to political party preference. Among supporters of the ruling Spanish Socialist Party, the anti-nuclear sentiment was strongest — 71 percent who would not use nuclear weapons in any circumstances, against 19 percent who would be attacked. In the rightist Alliance Party, 53 percent said they would favor the use of nuclear weapons if attacked, while 39 percent would not use them at all.

Among Italians, 48 percent said that nuclear weapons should never be used, while 33 percent in the tally said they would support some

QUESTION: Which of the following are your greatest concerns for yourself and your country today?



Nancy Whitcomb/International Herald Tribune

One-Third of Italians Support Unilateral Atom Disarmament

International Herald Tribune

PARIS — Italy's Socialist-led government, supported by a parliamentary vote of 351 to 219, has reiterated the country's intention to deploy U.S. cruise missiles in Sicily, but more than a third of the Italian citizens interviewed by Louis Harris pollsters favor unilateral nuclear disarmament for the Soviet Union.

The questioning, which took place a month before the Chamber of Deputies vote on Nov. 16, 35 percent of Italians polled said that the West should give up nuclear weapons even if Moscow did not. A nuclear balance — which is what the North Atlantic Treaty Organization has said it is seeking with the introduction of new U.S. missiles in Western Europe — was favored by 30 percent. Ten percent said they favored a freeze on nuclear arms right now, even if the Warsaw Pact continued a nuclear buildup.

Although the poll did not specifically mention the NATO missiles or the Soviet SS-20s, the intermediate-range missiles that the cruise and Pershing-2 missiles are meant to offset, the questions were designed to gather reactions to the East-West nuclear arms balance within the context of the Euro missile debate.

Italy was alone among the three nations covered by the poll that have agreed to accept NATO missiles in which more respondents favored unilateral disarmament.

In Britain, on the other hand, respondents favored an East-West security balance by 62 percent — nearly as high a rate as among Americans polled, which was 63 percent. Even in the Netherlands, where an active anti-missile campaign has organized more vocal opposition to the NATO deployment, 38 percent of those questioned supported a balance, while 29 percent backed a freeze and 21 percent unilateral disarmament.

The Socialists, who supported the 1979 NATO deployment decision when in office, voted against it in the Storting earlier this month, but 43 percent of their supporters said that they favored a nuclear balance, while 29 percent backed a freeze and 21 percent unilateral disarmament.

"The Socialists had the luxury in the missile debate of not having to take a clear stand now," noted Peter Christensen of the Oslo daily *Aftenposten*. "Their negative vote in parliament is more a question of their being out of office."

Pollsters in West Germany found that nearly as many Social Democrats favored a nuclear balance as unilateral nuclear disarmament — 27 percent to 29 percent — while 21 percent of Social Democrats supported a freeze and 22 percent gave no response.

Among supporters of the Christian Democratic-Christian Socialist coalition, 50 percent said they favored a balance, against 17 percent unilateral disarmament and 15 percent a freeze.

In Britain, where the opposition Labor Party has adopted a nuclear disarmament platform, 50 percent of Labor supporters nonetheless said that they wanted a balance, against 30 percent for the unilateral option and 15 percent for a freeze.

Although successive Dutch governments have postponed parliamentary decisions on the missile issue, the poll showed that the current coalition has majority backing among its supporters for a nuclear balance: 52 percent of Christian Democrats and 67 percent of Liberals favor a nuclear balance. Supporters of the opposition Labor Party were divided on the issue: 32 percent favored unilateral nuclear disarmament, 28 percent favored a freeze and 23 percent a balance.

The overall figures showed Dutch support for a balance — 38 percent, as against 25 percent disarmament and 20 percent freeze.

— CHARLES MITCHELMORE

FRANCE'S COOLNESS
Reflects Mitterrand

B. SPAIN
D. ITALY
E. GERMANY
F. NETHERLANDS
G. FRANCE
H. SWEDEN
I. NORWAY
J. SWITZERLAND
K. SWEDEN
L. SWITZERLAND
M. SWEDEN
N. SWITZERLAND
O. SWEDEN
P. SWITZERLAND
Q. SWEDEN
R. SWITZERLAND
S. SWEDEN
T. SWITZERLAND
U. SWEDEN
V. SWITZERLAND
W. SWEDEN
X. SWITZERLAND
Y. SWEDEN
Z. SWITZERLAND

MOSCOW MAY RECEIVE
Missile Talks, Koblens

Continued from Page 1

Poll Reveals Pessimism Over Economic Outlook for Industrialized World

International Herald Tribune

PARIS — A majority of the people in the leading industrialized democracies believe that their economic situation is not going to be improved. Only 12 percent thought it would be worse, while 53 percent thought it would be about the same.

Answering a similar question in March, 64 percent of Americans questioned said they thought economic growth would resume within two years, provided appropriate measures were taken in the eight other countries surveyed, respondents said they thought that the

predicted better times, and 38 percent expected about the same. That appeared to reflect a trend in Spain's replies to other questions showing a decline generally in domestic concerns.

The British, who have had a spate of good economic news recently, had the highest level of optimism in Europe, with 21 percent confident of a better situation.

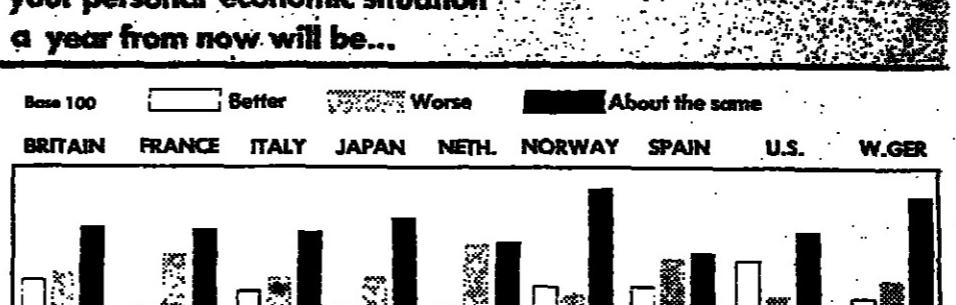
Support in most countries for protectionist measures, as identified in a separate question, did not link individual views of

the economy, however, even though the question was carefully phrased so that respondents were asked to consider import restrictions as a defense against loss of jobs to foreign competition.

Only the Dutch and Norwegians — small countries with important foreign trade sectors — rejected protectionism. The Dutch clearly, 47 percent to 29 percent, and the Norwegians 47 to 45 percent.

In Japan, where replies were divided almost equally — 35 percent favoring restrictions, 33 percent

QUESTION: Do you believe that your personal economic situation a year from now will be...



Base 100 Better Worse About the same

International Herald Tribune

How the Poll Was Done



LISBON MEETING — Foreign Minister R.F. Botha of South Africa, left, met Monday with Mario Soares, the Portuguese prime minister, to exchange views on southern Africa, especially over the question of South-West Africa, or Namibia. Mr. Botha is on a three-day visit to Portugal before traveling to West Germany and Britain.

France's Coolness to Wave of Pacifism Reflects Mitterrand Pro-Missile Stand

By Stanley Meisler
Los Angeles Times Service

PARIS — In Europe, fashionable ideas usually spread from France. However, the pacifist anti-nuclear mood so popular among European intellectuals and leftists these days did not come from France. The mood, in fact, hardly exists here.

While police struggled with protesters outside Greenham Common air base in Britain and the Bundestag in West Germany, while the powerful opposition parties of both countries condemned the deployment of new U.S. missiles in Europe, there were no comparable dramatic protests in France.

"Not only is France not strongly pacifist," said Michel Tari, the defense analyst of the Paris newspaper *Le Monde* in a recent interview, "but it has become strongly anti-pacifist."

Both French and foreign analysts attribute the weakness of the peace movement in France largely to the strong pro-missile stance of President François Mitterrand, whose country is not among the five West European NATO nations due to receive the new U.S. missiles, and to the decision made almost 20 years ago by then President Charles de Gaulle to create for France a nuclear force of its own.

The present French mood, so out of step with that of European intellectuals elsewhere, was reflected recently in an angry book by a leftist philosopher condemning pacifism and in a pastoral letter from the French Roman Catholic bishops supporting the principle of nuclear deterrence.

In the book, "The Force of Vergog," André Glucksmann, a young philosopher who first attracted attention during the student uprisings of 1968, cites Marcel Proust, Shakespeare, Flaubert, La Fontaine and many other classic writers while building his case that there are some conditions, such as living under Soviet-style communism, that are worse than death for a free people.

Mr. Glucksmann has only seven pages for the Roman Catholic bishops in the United States and the pacifist strain in their pastoral letter, earlier this year on nuclear war. Scientists such as Albert Einstein, Mr. Glucksmann recalls, took part in developing an atomic bomb out of fear that Hitler would produce one first. "My good fathers," Mr.

Glucksmann addresses the American bishops, "in confidence, would you have dared to reply to Einstein: Rather Hitler than the nuclear bomb?"

The pastoral letter of the French bishops was looked on as far to the right of the American one. The French bishops issued theirs Nov. 5, just a few days after publication of the Glucksmann book.

The bishops supported the need for defensive nuclear weapons so strongly that, according to the French press, French military officers were astounded and pleased.

The bishops said that if a peaceful country gave up its power of nuclear deterrence, it would submit itself to "the permanent blackmail" of an aggressor. "In a world where man is still a wolf to other men," said the bishops, "turning oneself into a lamb may perhaps provoke a wolf."

Just like other West Europeans, the French have shown themselves troubled lately over the dangers of nuclear war. This was made clear on a television program recently that featured Mr. Mitterrand replying to questions telephoned in by viewers. Many questions reflected a nervousness about the possibility of war.

The disquiet, however, has evidently not strengthened the three private French organizations that are opposed to the deployment of new missiles in Europe. Two organizations are regarded as dominated by the Communist Party and the third has not attracted any prominent French personalities to its cause.

"Pacifism in France," said Mr. Tari of *Le Monde*, "is a monopoly of the Communist Party, so it is discredited."

Several factors seem to account for the absence of a pacifist mood in France. The most significant evidently are that France, unlike West Germany, has a nuclear force of 98 missiles of its own, and, unlike both West Germany and Britain, refused to allow U.S. missiles on its soil.

This is a direct result of De Gaulle's decision to separate France from the military aspect of the North Atlantic Treaty Organization in 1966 and to create a "force de frappe," as the French nuclear arsenal is known. This policy has struck a chord with the spirit of French nationalism and with the need to feel in control of French destiny.

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Moscow May Reconsider Missile Talks, Kohl Says

(Continued from Page 1)

man government spokesman said that East German officials approached Bonn last week for a new and apparently sizable loan. Earlier, Mr. Kohl declined to respond to a newspaper report that West Germany was about to lend \$370 million to East Germany, which is deeply indebted to Western banks.

Last summer, Bonn approved a private bank loan of 1 billion Deutsche marks (about \$400 million) to East Germany. But Mr. Kohl and other senior government figures have insisted that East Germany would not be eligible for further loans until it fulfilled informal commitments arising from the first loan to ease human contacts between the two Germanys.

A report in the financial newspaper *Handelsblatt* said that \$396 million of the new \$370-million loan would be in the form of units of account that could be used only for purchases in West Germany.

Last Friday, Erich Honecker, the East German leader, reacted in conciliatory tones to the West German Bundestag's vote in favor of deploying U.S. cruise and Pershing-2 missiles, saying that his government would do its best to prevent relations with West Germany from deteriorating.

■ Dutch Endorse NATO Policy

The Dutch government, pondering whether to accept 48 U.S. cruise missiles issued on Monday, the strongest endorsement of NATO nuclear policy and its own nuclear defense role in recent years, The Associated Press reported from The Hague.

Stating that there are "no useful alternatives" to the Netherlands' current defense strategy based on NATO nuclear deterrence, the Dutch Defense White Paper for 1983 said it was "a dangerous illus-

sion to think that peace can be established when nuclear arms are removed." It added, "The danger of conventional war in Europe will not decrease, but increase."

"Nuclear arms are not good or bad," the report said, "but as a means to deter, they are the lesser of two evils."

Austria, Finland Vow to Defend Neutral Air Space

Compiled by Our Staff From Dispatches

HELSINKI — Neutral Finland and Austria have joined Sweden in announcing that they will defend their air space against cruise missiles.

In Vienna, Foreign Minister Friedrich Frischenschlager said Monday that his country would defend against the missiles, whether coming from east or west. He said at news conference, "We have the duty to defend our air space from both sides."

Foreign Minister Paavo Vayrynen said Sunday that Finland had started building up its capacity to detect and intercept cruise missiles flying through its air space toward the Soviet Union.

He said on television that he did not think land-based cruise missiles being stationed in western Europe would pass over Finland, but "we must be prepared" for missiles launched from aircraft, submarines and ships operating nearby. Finland has a friendship treaty with the Soviet Union calling on the Finns to repel a Western attack through their territory.

Last month, Sweden announced it would be able to shoot down cruise missiles crossing its air space.

(AP, UPI)

Swedes Say Bureaucracy Winning Out Over Fairness

After So Much Social Change, the Drive for Perfection Now Creates as Many Difficulties as Benefits

By John Vinocur
New York Times Service

STOCKHOLM — A couple of weeks ago, an indistinct aerial photograph, the kind that usually reveals missile silos in the Urals, was spread across the centerfold of Expressen, Scandinavia's largest-circulation newspaper. Its focus of attention: the Stockholm neighborhood where Claes Florin, a tax collector, lives.

The details had the kind of fuzzed-over edges and indistinct shading that at the end of a briefing officer's pointer can turn a couple of sheets into a terrorist training camp.

The photograph showed the outlines of a rock garden and a parked car near Mr. Florin's house. For Expressen's investigators, the garden was a secret swimming pool construction site; the car, the paper revealed, was parked next door so that no one would associate it with the Florins, or their supposedly camouflaged wealth.

I took a paragraph or two for the reader to figure out that the story was a spoof: the newspaper had decided, as its editor, Bo Stromstedt, explained, that it was time Mr. Florin, described as a tax-collecting zealot with a preference for aerial photography, "finds out how it feels to have his integrity threatened."

The newspaper often runs its articles on bureaucratic abuses with a macabre logo that says, like a Christmas shopping reminder, "44 days until 1984."

Nobody ever got terribly excited here about local comparisons to George Orwell's year of totalitarian oblivion. But all the continuing talk about Sweden and 1984 has upset the authorities because they see it catching on outside the country.

The official discomfort is such that the day Expressen needed the tax collector, the government called in the foreign press corps of about 150 correspondents for a lecture on their supposedly less-than-objective articles about Sweden. The reporters booted the government's panel of monitors.

But the problem is not going away: more and more influential Swedes are saying things that suggest that bureaucracy is winning out over the Swedish sense of fairness and social justice. The authorities, for example, wired the tax agency's computers so that police checking traffic infractions could hunt for tax evaders at the same time.

Now two of the country's best-known novelists, Lars Gustafsson and Sven Delblanc, say they are considering leaving Sweden. Talking to a French magazine in apocalyptic terms, Mr. Gustafsson described the language of the ruling Social Democrats as having an "air-

taste of timid fascism and vague totalitarianism."

This brought an open letter to the writer last week from Carl Lidborn, the Swedish ambassador to France, and a former Social Democratic cabinet member. The ambassador accused him of being unpatriotic and cowardly. So much nasty talk, Mr. Lidborn wrote, was making his job of preserving Sweden's reputation and interests difficult. After all, he said, Mr. Gustafson's life was not in danger.

A visitor to Stockholm, in truth, does not often confront Orwell's universe. He hears of imagined bits of it from friends: ballots so complicated on voting days that they defeat democracy; a woman at an airline ticket counter who insists a customer take a number from a machine in order to be waited on, even though he is the only client in the office; eighth-hand accounts of children who are taken away from their parents because of a contentious or somehow exotic answer to a social worker.

The evidence of a totally regimented society hardly surges through the streets; rather, it seems that Swedes, so comfortable for so long with so much social change and so many of the gadgets of modernity, are disoriented because the range for reworking society has narrowed and the drive for perfection now creates as many difficulties as benefits.

Marianne Alopaeus, who has written a book on Sweden that strikes out at the country's habits, thinks that if Sweden reinstated capital punishment the temptation would be to do it for tax fraud. The subject is obsessional, without the faintest element of cliché.

Gunnar Myrdal, a winner of the Nobel prize for economics, has written that the Swedes have become a nation of cheaters, but tax fiddling is still treated like the greatest of moral outrages, an attempt to work bumps back into the great leveled carpet of national life.

The extent of tax sin now includes knowing the tax laws too well. Two weeks ago, the Social Democratic minister of justice, Ove Rainer, was forced to resign because he used them legally, but to his advantage.

Mr. Rainer inherited more than \$200,000 worth of stock in 1981 and to avoid being taxed on 88 percent of it went into debt, borrowing almost \$2 million from a bank where he was a director. Because servicing the new debt was deductible, he was able to write off the money he inherited.

People talked about the Rainer affair with a curious mixture of shock and sneaking admiration.

Sinking sharply in popularity polls, Prime Minister Olof Palme was required to punish the offender, without acknowledging that his

initial appointment was questionable. The solution: immediately naming Mr. Rainer to the Supreme Court. It was a lifetime job as a symbol of Swedish equity, and at a salary better than Mr. Rainer's old one.

A lifetime lasted a week; Mr. Rainer abandoned his new appointment under pressure.

Reagan Signs Bill Curbing Law Unit

United Press International

WASHINGTON — President Ronald Reagan, despite his proposal that the Legal Services Corp. be abolished, signed legislation Monday extending the life of the corporation but imposing tighter restrictions on it. The agency distributes U.S. government funds for legal aid to poor people.

The law imposes curbs on lobbying by the agency's lawyers and other staff members; restrictions on the filing of class-action lawsuits against state or federal governments; limits on assistance to aliens; and changes that could make it more difficult for some recipients to renew their funds.

The guidelines are included in a \$10.5-billion appropriation bill covering the departments of State, Commerce and Justice.

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INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

A Village in South Africa

Those wonderful people who brought you the South African government's idea of racial and electoral reform earlier this month ("reform" that made things worse for the 70 percent of the population that is black) have another terrific project in the works. It is the evaporation and destruction of a village called Mogopa, 120 miles (190 kilometers) west of Johannesburg. News of this enterprise should serve as a useful antidote to all the cynical propaganda that is being put out about how the Boer government's heart is really in the right place, but it can only move so fast, etc.

Why did the authorities decide to now down this village and dispossess its several hundred families? Well, you don't have to be told: because the villagers are black people and — never mind that their forebears bought the land in 1911, or that the village is one of the most stable and prosperous rural black communities in South Africa — its mere existence in that place violates the concept of apartheid. Mogopa constitutes an unauthorized "black spot," being 80 miles from where it should be according to the plan to establish racial purity.

So what is to be done? Simple. You just kick

the people out and destroy what they have spent decades building up, and compel them to go somewhere else — somewhere terrible.

Bulldozers belonging to the government department in charge of black affairs have flattened Mogopa's four churches and two schools, all built of beautifully cut stone. Bus service has been stopped and the water pumps have been removed from boreholes.

A local merchant told The Washington Post's correspondent, Allister Sparks, that she and the others in Mogopa had been informed by the government that at Pachisdrasai, a place 80 miles to the north where they are to be sent and which none of them "has ever seen," the dispossessed families will be given "a tent and a tin toilet each, free, for six months."

It is disgusting. But importantly, it is also what is really going on in South Africa — the harsh, irreducible essence of the apartheid system. The next time someone talks to you of savagery and a want of civilization in Africa, don't be so quick to take offense at the language. It is a fitting description of the people who are perpetrating these acts.

— THE WASHINGTON POST.

Protect Steel, Damage All

"This is a hydra," as Bill Brock so well put it. "New heads," said the president's special trade representative, "come up every day." The latest in Bethlehem's bid for more protection against steel imports. America's second largest steelmaker is understandably aroused by competition from efficient foreign producers, notably South Korean and Brazilian.

But it is hard to see how additional protection will benefit the public — or the long-term prospects of the domestic industry. As Mr. Brock concluded, there are strong reasons to hold out for open world trade in steel.

Like most other large integrated iron and steel producers, Bethlehem has an old and inefficient plant and high labor costs. In a period of excess steelmaking capacity the world over, the company has thus been vulnerable to foreign competition.

Since the late 1970s, the U.S. steel industry has managed to extract some protection from unsympathetic presidents by threatening to take its case to Congress. But the existing curbs on European and Japanese steel are not helping much. Third World producers have rushed to fill their place.

One-fifth of the steel sold in America nowadays is foreign, much of it from new mills in South Korea and Brazil. And Bethlehem is probably right, believing that low-cost foreign producers are likely to increase their sales effort as the world's capacity to produce steel continues to grow faster than demand.

Still, it is hard to argue that other countries are taking "unfair" advantage. Efficient facilities and low labor costs, combined with exchange rates that favor imports, allow foreign

ers to sell steel at very low prices and still make a profit. They are not therefore "dumping" in the usual sense. Bethlehem's lawyers will reportedly contend that, fairly sold or not, foreign steel is injuring the domestic industry. If the U.S. International Trade Commission finds that imports constitute the most important source of the industry's malaise, it can recommend protectionist measures — most likely, country-to-country import quotas. The Reagan administration vows to resist, but in an election year that will not be easy.

As a matter of law it is by no means clear that Bethlehem can make a plausible case. Other factors explain much of Big Steel's problems, including the chronically depressed demand for steel, the aging of America's plants, and wages that are at least 50 percent higher than the industrial average in America and much higher still than Third World wages.

In any case, more protection would be bad policy. The industry is already moving in the right direction by reducing total capacity, modernizing facilities and buying cheap, semi-finished metal abroad. More protection would only reduce incentives to modernize more rapidly and confront uncompetitive labor costs.

Protecting American steel would also damage growth in less developed countries, and their ability to pay their debts to the United States. Worst of all, it would increase inflationary pressure just as unemployment is being reduced to tolerable levels. The best hope is that Bethlehem drops its plan to petition for more protection; or, if not, that the trade commission sends the petitioners packing.

— THE NEW YORK TIMES.

Other Opinion

After the Film, a Debate

Only in the last two years has the awareness of the grave threat to us all penetrated the consciousness of the public at large and stimulated it to effective political action. We have seen compelling evidence that an informed, persevering and politically effective arms control constituency is needed and can play an important role in government policy. It would of course also be a welcome development if such an informed and vocal constituency could exist in the Soviet Union.

— Sidney D. Drell, deputy director of the Linear Accelerator Center at Stanford University, writing in the Los Angeles Times.

After doesn't say who starts the nuclear war. But it doesn't really matter. To believe that only the residents of the Evil Empire could start such a massive ritual of suicide is foolish. The fact is that most conservatives in [the United States] are not really traditional conservatives at all. They are bloody-minded believers in the apocalyptic vision. They enjoy violence and believe in its use. True conservatives believe in restraint and civility, in the preservation of the valuable. They would be insisting that the leaders of the Soviet Union and the United States sit down and make a deal. The long quarrel between communism and capitalism must end with a truce.

— Syndicated columnist Pete Hamill.

Why is it that the leaders of two countries whose fates are so intertwined almost never talk to each other? If either world leader would simply say, "I am willing to talk, anywhere," I suspect that such a meeting would occur. This is still the day before. Is anyone listening?

— David P.J. Longhurst — mayor of Lawrence, Kansas, the town whose fictional destruction is depicted in *"The Day After"* — writing in the Los Angeles Times.

The unexplained disappearance of Yuri Andropov, who is at least first among the Politburo equals who run the Soviet Union, reminds us of a familiar but largely unexplored phenomenon — the exposure gap, one might call it. If an American president vanished for 100 days, the United Nations General Assembly would be in emergency session from dawn to dusk and explanations would be demanded from Madrid to Murmansk. No one, of course, has bothered to ask officially about Mr. Andropov. There would be no answer.

— Edwin M. Yoder in The Washington Post.

FROM OUR NOV. 29 PAGES, 75 AND 50 YEARS AGO

1908: Japanese-U.S. Accord on China
WASHINGTON — The final steps have been taken for completion of the agreement between the governments of Japan and America regarding China. The agreement contains five articles. The first gives expression to the wish that the two Governments shall encourage the peaceful development of their commerce in the Pacific. The second is a defense of equal opportunity for commerce and industry in China. In the third each Government agrees to respect the territorial possessions of the other. The fourth gives a guarantee of the independence and integrity of China. In the fifth, in case of an event threatening the status quo, the Governments agree to communicate with each other to arrive at a mutual understanding.

1933: French Regime Is in Question
PARIS — The new French cabinet has decided to place its budgetary project before the Chamber when it presents itself before Parliament and will demand swift deliberation under the emergency rule. Meanwhile, voices were raised in the Left press in favor of "a government of authority," and hinting at the desirability of establishing an emergency dictatorial regime. "Notre Temps," a Left-wing organ said: "Regular party machinery and institutions are no longer of any use." So far it has been representatives of the Right, notably André Tardieu, former premier, who have been demanding constitutional revision to end the helplessness of Parliament in dealing with the restoration of budgetary equilibrium.

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EUROMARKETS

Deutsche Mark Eurobond Market Continues to Attract Major West German Banks

PARIS — West German banks traditionally engender a curious, even baffling, paradox in their composite Euromarket profile. Whereas in recent years they have been conspicuous by their virtual absence in the Eurocredit sector, their strong presence in the Eurobond market has more than compensated for their low profile in the international syndicated loan arena. Ask any commercial banker what Eurobond sector he associates most with the West Germans, and he will come up with the word "Eurobonds."

The preponderance need hardly come as a surprise. Factors behind the seeming disparity hinge on the West German banks' involvement in and development of Luxembourg as a major international Euromarket center.

The Germans were first to see the advantages of setting up shop across the border just two decades ago. The relaxed banking regulations, such as the absence of minimum reserve requirements, the in-

creased scope for wider profit margins and its central Western European location made Luxembourg the ideal place for German banks eager to set up subsidiaries to channel their Euromarket activities. With closer banking supervision, particularly the move toward consolidated accounts in order to encompass Luxembourg-located loans in West German bank reports, coupled with lower yields and tighter interest margins, has come a growing realization that Luxembourg is not the sole place for transacting Euromarket business.

Other factors are at play. The international debt crisis, sovereign risk problems and increased debt rescheduling, particularly in Eastern Europe and Latin America, have combined to make German bankers talk at frostier terms about their presence in the Eurocredit market. And their wariness is borne out by statistics.

In the first nine months of this year, new syndicated Eurocurrencies

reached the equivalent of \$29 billion, a sharp contraction on the \$79.6 billion lent out in the corresponding 1982 period. According to the Bank for International Settlements, the downward trend continued steadily throughout the first three quarters: \$13.2 billion in the first quarter, \$10 billion in the second, and \$6.6 billion in the third.

The picture in Eurobonds reflects a different story. The volume of issues on the Eurobond market shows every sign of surpassing last year's record of \$41.43 billion equivalent — based on data collected by Salomon Brothers — a sharp rise on 1981's \$24-billion volume.

As the market in Eurobonds has grown, so has the presence of the West German banks, and this factor alone may go a long way to explain the relationship. As one German banker put it: "We like the Eurobond market; it's a growth sector, issues are generally safe, and we mean to stick with it."

Within the Eurobond market, al-

tained its position as leading international loan currency with a share of 82 percent, bonds denominated in Deutsche marks doubled their share from 5 percent to 10 percent, according to the 1982 annual report of Dresdner Bank. West Germany's second largest commercial bank after Deutsche Bank. "Under the favorable influence of declining interest rates, the volume of new DM foreign bonds rose sharply to DM 11.5 billion from only DM 4.9 billion in 1981," the report said.

The German bank went on to say that in 1982 it recorded its largest volume and also highest earnings in the Eurobond business since the creation of the Eurobond market. "Out of a total of 101 foreign bond issues our bank was lead manager in 15 cases and co-manager in 41. In virtually all other cases we were a member of the underwriting syndicate," the Dresdner report added.

The major German bank account-

ing for the success of turning the Deutsche mark Eurobond market into a thriving area is Deutsche Bank, the largest of the market-

makers in Frankfurt. West Germany's financial capital. Its presence and weight in the market make it the first choice to lead major supranational Deutsche mark borrowers such as the European Investment Bank and the World Bank, when they decide to enter that sector of the Eurobond market.

But it is in the international Euromarkets league that Deutsche Bank pre-eminently has scored some of its biggest hits. Rankings for the first half of 1983 showed that Crédit Suisse First Boston and Deutsche Bank — in that order — were at the top both in terms of the number of issues and the amount. Statistics compiled by Luxembourg's Kredietbank show that Crédit Suisse First Boston led and co-managed a total of \$14.2 billion in Eurobonds during the first six months of 1983, followed closely by Deutsche Bank with \$13.9 billion.

While the five largest U.S. banks led one-third of all Eurobond transactions in 1982, largely due to

their clients' attraction to the Euromarket where interest rates and yields were most favorable. Crédit Suisse First Boston and Deutsche Bank led the overall sweepstakes, with the German bank, in particular, enjoying the advantage of its access to issues in Deutsche marks and Swiss francs.

Despite inducements by the Bundesbank — West Germany's central bank — the German domestic and Eurobond market cannot escape the pull of New York, where fluctuations in the market are monitored closely. "Investors are for the most part staying in Eurobonds; the returns are good on the whole and the strong dollar is keeping prospects favorable," a West German bond dealer said.

In the first half of this year those investing in U.S. and Canadian dollar bonds earned 6.8 percent and 9.9 percent respectively, according to data from the fixed-income research department of Salomon Brothers. By contrast, returns

from Deutsche mark, Swiss franc and Dutch guilder Eurobonds were negative at minus 3.3, minus 3.2 and minus 7.1 percent respectively. The appreciation of the U.S. dollar against these and other European currencies goes a long way to explaining the lack of investors to the Eurobonds bond sector.

The Euro-Deutsche mark sector has drawn quality borrowers, with sovereign and supranational issuers keen to tap a market where foreign institutional investors or central banks are prepared to accept a relatively lower payout in return for a risk-free investment to augment their portfolios with a given proportion of mark-denominated securities.

Recent quality names tapping the Euro-Deutsche mark sector include Finland, which raised 150 million marks through a seven-year offering priced at par and bearing an 8-percent coupon, and the Council of Europe's 150 million par issue at 8.4 percent over 10 years.

— MICHAEL METCALFE

Despite Current Records, Downward Pressure on the Dollar Is Expected Next Year

By John Presland

LONDON — This has been the year of the dollar. Against the new universal expectation of currency devaluation that the fast-growing U.S. current-account deficit would force dollar depreciation, the dollar soared in August to a 9-year high against the Deutsche mark and to record levels against the weaker European currencies. But the factors that have promoted high capital inflow into the United States and offset the growing trade imbalance are weakening. The dollar will not be able to continue its performance in 1984.

The U.S. current-account deficit will widen further, exerting downward pressure on the dollar. Imports will continue to rise as domestic demand recovers while exports remain depressed because of Third World spending cutbacks and overvaluation of the dollar.

Current forecasts point to a \$65-billion trade deficit in 1983, far in excess of 1982's record \$42.7 billion, and to a massive \$100-billion shortfall in 1984. With the invisibles surplus declining, that implies current-account deficits of more than \$30 billion this year and more than \$65 billion next.

Meanwhile, the high level of capital inflow that has kept the dollar firm in 1983 is likely to decline in 1984; the current and capital accounts will balance only at a lower dollar exchange rate.

Portfolio capital inflow into the United States has been boosted by international investors, in response to increased world financial and political risks, increasing the proportion of their portfolios placed long term in U.S. assets; this portfolio adjustment process appears to be nearing completion.

Short-term factors prompting portfolio capital inflow are also weakening. Wall Street's recovery-fired bull market spurred net foreign purchases worth \$1.8 billion in the first half of this year (\$2.3 billion in all of 1982) while high yields attracted net foreign bond purchases of \$4.5 billion (\$3.3 billion). Slower U.S. economic growth in 1984 while recovery picks up abroad will reduce the attractions of U.S. equity markets. And interest-rate support for the dollar will also diminish.

The fragility of the international financial system remains a major concern of the Federal Reserve and, as the Fed chairman, Paul A.

Volcker, has publicly acknowledged, resolution of the international debt crisis requires sustained economic recovery and lower U.S. interest rates. With presidential campaigning getting into full swing from the spring, domestic political pressure on the Fed to maintain the recovery will be intense. Tightening of U.S. monetary policy and significantly higher U.S. interest rates are thus unlikely next year. And real interest rates will be eroded by higher inflation — technical monetarists argue that the last year's 14-percent M-1 growth makes inflation of 7 to 9 percent inevitable by the end of 1984, and Keynesians, too, expect recovery to produce price rises.

More important than portfolio capital inflows in supporting the dollar has been the impact of the debt crisis on U.S. banks' foreign lending. Net banking outflows from the U.S. amounted to more than \$40 billion a year in 1981 and 1982 but fell to \$3.3 billion in January-March and turned to a \$4.7-billion inflow in the June quarter. That \$10 billion swing was more than enough to counteract the increase in the current-account deficit from \$3.6 billion to a record \$9.7 billion.

The continued low level of banks' foreign lending remains the dollar's principal support but this is likely to weaken in 1984. Swings in banking flows large enough to offset continued current-account deterioration are improbable; participation in IMF rescue packages for Third World debtors is likely to restore U.S. banks to being net lenders of long-term capital abroad.

Political worries will give the dollar uncertain support. As the Grenada invasion and Lebanon crisis have recently reaffirmed, investors continue to regard the dollar as a "safe haven" in times of international tension. Further worsening of East-West relations after the installation of new U.S. nuclear weapons in Europe is likely to help the dollar. But domestic political uncertainties as the November elections approach are unlikely to be helpful.

The major beneficiary of dollar weakness is likely to be the yen, which could end 1984 close to 190 to the dollar. The measures to promote yen internationalization announced during President Ronald Reagan's visit to Japan will be slow

to take effect but the currency is underpinned by a current-account surplus running at \$2 billion a month and forecast by the National Economic Research Institute to rise from \$28 billion this financial year to \$46 billion in 1986-87. And, though former Prime Minister Kakuei Tanaka's conviction for bribery has created short-term political uncertainties, these are likely to be dispelled by a December general election.

Japanese export volume and export orders are now both running 10 percent higher than a year ago, fueling expectations of 3½ percent export-led economic growth in 1984. Inflation averaging 2 percent this year and unlikely to be higher next year will keep exports competitive. Acceleration of Tokyo Round tariff cuts and other import-promoting measures promised in the October economic package are unlikely to make a significant dent in the trade surplus. Yen-depressing long-term capital outflow is, meanwhile, expected to decline from the unusually high levels of 1983, when foreign bond purchases have been running at an annual rate of more than \$12 billion and overseas bank lending at a rate of more than \$8 billion. And foreign portfolio capital inflow into Japanese equities will be supplemented by the proceeds of "Nakasone bonds," government bond issues denominated in foreign currencies.

Current-account performance contrasting with that of the United States will back Deutsche mark appreciation in 1984 to around 2.30 to the dollar at year's end. This year there has been a reduction in the German trade surplus (from 36 billion Deutsche marks in January-September 1982 to 30.4 billion marks a year later), reflecting the impact of austerity policies in Germany's major European export markets, but a reduced invisibles deficit means the 1983 current-account surplus should at least equal last year's 8.6-billion marks. The expectation of 8-percent export growth reported in a recent business confidence survey may be overoptimistic, but the five major German economic research institutes' forecast of a larger current-account surplus in 1984 is realistic.

After what it now sees as excessive easing earlier in the year, the Bundesbank tightened its monetary stance in September when it raised key interest rates by half a

percentage point. But a compromise on spending cuts is likely to be struck with unions and good economic fundamentals — inflation at 3 percent and a current-account surplus officially forecast to reach 17.5 billion guilder in 1984 after 12 billion guilder this year — will let the guider share in the mark's appreciation within the EMS.

French austerity measures cut the country's trade deficit to 39.7 billion francs in January-September, from 73.5 billion francs in the same period last year, and the official full-year target of a shortfall of 60 billion francs is well within reach. But a deficit of 20 billion francs is more likely in 1984 than the officially projected 7 billion francs, and inflation will fall from 9 percent in 1983 to 7 percent, rather than the targeted 5 percent. The loss of competitiveness relative to Germany that this implies will force a French franc devaluation in 1984, but withdrawal from the EMS, favored by a minority current in the ruling Socialist Party, is most unlikely.

Italy's trade deficit has also shown a sharp improvement in 1983, with the deficit falling to 8.2 trillion lire in January-August after a 11.6 trillion a year earlier. The Bank of Italy is now forecasting a current-account deficit of 2 trillion lire, after 1982's 7.4 trillion lire. But Prime Minister Bettino Craxi's strategy for reducing inflation from 13 percent this year to 10.5 percent next — and the long-term survival of his coalition — is in doubt after the parliamentary defeat of a crucial tax measure. Inflation will remain in double digits in 1984 and a substantial lira devaluation against the Deutsche mark will be necessary to spur export-led economic growth.

Pressure from Luxembourg, whose currency is pegged 1-to-1 to the Belgian franc, forced a 1.5-percent revaluation of the Belgian unit's central rate against the ECU in the last EMS realignment in March 1983. Since then it has come under repeated pressure in the foreign-exchange markets forcing another general realignment of EMS currencies. Moves against the Deutsche mark and Dutch guilder of 3 to 6 percent should be expected for the French, Italian, Belgian and Irish currencies while the Danish krone moves down by 1 to 2 percent.

The usual pattern of the fundamentally strong EMS currencies then sticking at the bottom of the system before beginning a slow ascent can then be expected to repeat itself. But provided moves in a EMS limits. With inflation running 5 points higher than in Germany, a downward move will be necessary in the next EMS realignment. Irish

inflation of 11½ percent will force a punt devaluation also and, although Danish inflation and balance-of-payments prospects are improving, a small downward adjustment of the krona is likely.

EMS central banks will be able

to protect the weaker members of the system against speculative attacks until the spring while the "high inflators" decline toward their lower limits against the Deutsche mark and the guider and the latter move up the scale. The anniversary of the last realignment is then likely to be marked by foreign-exchange markets forcing another general realignment of EMS currencies. Moves against the Deutsche mark and Dutch guilder of 3 to 6 percent should be expected for the French, Italian, Belgian and Irish currencies while the Danish krone moves down by 1 to 2 percent.

In Scandinavia, Sweden's trade account continues to reap the benefits of October 1982's 15-percent devaluation, and a further move is unlikely in 1984. And backed by a healthy current-account surplus, the Norwegian government will continue to give priority to reducing inflation and to resist union calls for a growth-stimulating devaluation. Iberian currencies can be expected to continue their steady inflation-matching decline, with the peseta dropping 1 percent and the escudo 1½ percent a month against trade-weighted baskets.

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EUROMARKETS

France: Markets Remain Hesitant

By Vivian Lewis

PARIS — During the winter of 1982-1983, the French were worried about whether their international government debt could ever be repaid.

Following the austerity measures of the devaluation in March, the drop in new borrowing, and the beginnings of a turnaround in the balance of trade, there is less worry that France is living beyond its means.

But the international markets remain hesitant about France, not for fear that their loans will not be repaid, but because of a prolonged battle with the French Ministry for the Economy and Finance about the terms of the government guarantee to state-sector borrowers in the event of a default.

Last winter, the French satirical newspaper *Le Canard Enchaîné* reported that only \$1 billion of the \$4 billion the French had borrowed two months previously was still available in the country's reserves. *Le Monde* calculated that total foreign debt of France, as borrower or guarantor, was \$37 billion plus \$7 billion owed by nationalized banks. Paul Fabre, *Le Monde's* economics editor, charged that by 1985, French debt would exceed Brazil's. A private placement that Jacques Delors, the French economics minister, arranged with the Saudis (details of the amount and conditions have not been released) added to the worry.

Outside the Bon Marché department store on the Left Bank in Paris, followers of the radical right, the anti-IMF Parti Ouvrier Européen, were collecting signatures on a petition. It called upon France to lead a "debtor's cartel" with the Latin Americans to impose a moratorium on their international creditors, including the World Bank and the IMF.

Since that time, although news-paper scare stories in Paris have not ceased, a mood of greater confidence exists. One reason is that French foreign-exchange reserves got a big boost from the March 25 decision to raise an EC loan of four billion ECUs to add to the funds available to defend the franc. As of the end of September, French reserves stood at 419 billion francs (compared to 356 billion francs at the time of President François Mitterrand's election; expressed in dollars, however, the reserves are lower). The heavy outflows to pay for French import excesses had been stemmed. The volume of new foreign borrowing has begun to decline from the peak reached in the first quarter of this year. Foreign

borrowing fell from 39.7 billion francs in the first quarter to 8.9 billion francs in the second, and a further reduction, Economic Ministry officials said, will be shown in the third quarter.

In an effort to design domestic credit, the staff of Mr. Delors has adopted an unprecedented policy of frankness on how much the country owes. The most recent tally, made early this month for debt as of the end of June, showed total government and government-guaranteed debt at 369 billion francs, compared to 295 billion francs at the end of 1982. Most of the increase was accounted for by the rise in the parity of the dollar in which 54 percent of French foreign debts is denominated; the net increase in borrowing was 38.6 billion francs.

These figures were called "too low" by *Le Monde*, which arrived at a total of 550 billion francs by including short-term borrowing of under one year and creating offshore net creditor position of nationalized French banks on the Interbank market as part of the country's debt. Economic Ministry experts feel that this larger total does not conform to the norms for calculating international balance of payments.

The same experts forecast that debt increases will decelerate during the rest of the year. By 1984, they estimate, the benefit to French exports from the franc devaluation will become visible and domestic capital markets will revive. As a result, less recourse will be needed to foreign capital markets, and interest rates charged French borrowers will recede. French banks will become more active in the capital markets, and they will cease feeling constrained in their activities by the need to keep funds flowing to France — as occurred earlier this year.

Such are the optimistic forecasts of the ministry. Of course, their predictions are off if the French trade balance improvement falters. If another run begins against the franc and if inflation picks up. Yet, there is another shadow over the French vision of a bright "Eurofuture," which is it in the power of the Economic Ministry to do something about — and which they are proving to be stubborn about. French state-guaranteed borrowers, since the loan for Crédit National in March, have refused to sign syndication agreements, including pari passu and cross-default clauses — at the insistence of the ministry. Two U.S. banks, Morgan Guaranty and Citibank, which had earlier pulled out of syndications, agreed last week after rewording of loan documentation to a \$100-million syndicated loan for Crédit National.

The wording in the new sterling agreement promised that no future lenders to Crédit National would receive better protection or, if they do, such protection would apply to this loan.

The earlier clauses provided that a default by any one creditor guaranteed by the French government would make any other such guaranteed loan fall due. For instance, if Crédit National went into default, nonrelated French guaranteed loans to, say, the Airport of Paris, would be payable.

The French government has accepted the clauses to complete the \$4-billion loan the Republic of France borrowed a year ago. But it had said that it will not accept the clauses for borrowers guaranteed by the state, claiming they are not standard and that they reflect a prejudice against France. Finance Ministry experts said that a recent Euromarket syndication for a European-government-guaranteed borrower did not include the offending clauses (although sources said they are not sure which country was involved).

The debt figures also illustrate the distortions involved in analyzing East European economies because of the huge strength and dominance of the Soviet economy. Compared with the Soviet Union, the East European economies are weak, and overall averages tend to hide the shocks that each one is suffering from the Western economic slowdown. It is they who look most to the U.S.

economic recovery to alleviate their own debt and economic problems.

The Eastern bloc's trade figures are slightly more cheerful, but only because of a major curb on imports, which is hurting economic development but is essential to prevent further indebtedness.

After years of running trade deficits with the West, East Europe and the Soviet Union as a group had a \$1.8-billion surplus in 1982, with industrialized countries and a \$3.5 billion surplus in world trade as a whole. Of course, the average surplus hides deficits in individual member nations.

With falling economic performance, East Europe's debt burden has become crippling. It rose to more than \$65 billion last year from \$58 billion in 1981 and a cumulative figure of \$45 billion for the 12 years preceding 1981. Debt service (interest payments and administration charges) alone equaled about 60 percent of East Europe's exports to the West in 1981. But the Soviet debt is negligible because of its ability to earn enough from the West mainly through energy and gold exports.

In spite of its prudent economic management, East Europe's and the Soviet Union's share in total world trade has remained between 9 percent and 12 percent for the last 10 years. Interestingly, however, the share of Western nations in the areas overall trade increased from 16 percent in 1955 to 31 percent in 1982, while trade among East European countries fell from 76 percent of the total to 50 percent in the same period. These figures again illustrate the East's dependence on Western economic health for its own well-being in spite of its different market and pricing philosophies.

The main cuts in East European imports from the West were in food and engineering goods in recent years, both of which are vital for the well-being of consumers. Consequently, East European nations have had to face more unrest among their people and also have found that Western recession hits them where it hurts most — namely in food availability and machinery needed to build consumer products.

On the export side, fuel shipments from the Soviet Union were the only category to rise slightly, by 2.5 percent, while exports of all other goods declined, according to the GATT figures. But the total trade of the Soviet Union continued to expand and it has had trade surpluses continuously since 1977. The value of Soviet exports grew at nearly 20 percent annually for the 10 years up to 1980.

While this indicates the strength and general insulation of the Soviet economy from upheavals in Western economies, the composition of its trade reveals its dependence on the West. The Soviet Union imports mainly engineering products, semi-finished goods and food, while two-thirds of its export income comes from fuel.

Because of the lack of diversification in both its import and export structures, the Soviet economy tends to be more affected by changes in Western demand and ability to supply than the West is affected by changes within the Soviet Union.

— BRU KHINDARIA

Swiss Banking Caution Spares Nation From Ravages of World Debt Crisis

GENEVA — The conservatism and secretiveness of Swiss banks, which have drawn domestic criticism in recent years, are being credited for the fine performance of the banking industry amid the third World debt crisis and have served to enhance Switzerland's reputation as a safe haven for funds.

Protecting the banks' reputation for sensible management and safety are among the prime objectives of Swiss government. Because of the banks' caution and finely tuned decisions at a time when other major international banks were lending excessively, Swiss banks escaped the worst ravages of the debt crisis in the developing countries.

Domestic political pressures on banks because of secretive practices appear to have abated. Nevertheless, an influential socialist lobby in the Swiss parliament is trying to obtain changes in Swiss banking laws that would place more obligations on banks to verify the origin of money brought to them. Also, the Swiss banking law currently is being revised.

Scandals such as the Chiasso affair of 1977, which involved illegal investments and reports of illegally earned money arriving from abroad slightly damaged the image of the banks. On the other hand, the banks safely handled funds during the international debt trouble.

The serious jolt dealt to banks in September by French disclosures of names of account holders in Swiss banks also appears to have been absorbed. Most banks have discreetly instituted draconian measures to strengthen confidentiality.

The sole potentially troubling challenge may come from the Swiss banking regulatory authorities which have hinted at dissatisfaction with the operation of a gentlemen's agreement reached with the Swiss Bankers' Association after the Chiasso affair, in which Crédit Suisse reported that its branch in Chiasso, on the Italian border had misdirected 2.2 billion Swiss francs into a troubled Liechtenstein holding company.

The ratio is much more favorable to Swiss banks when undisclosed reserves and shareholders equity not listed on the balance sheet are included. It becomes even more favorable when the risk profile of the assets is taken into account. For instance, the most generous

estimates put Swiss bank exposure in developing countries at no more than 14 percent of total assets. The great majority of loans are backed by export credit guarantees by the Swiss federal government's export risk guarantee fund. Thus, compared with the exposure of U.S. and British banks, Swiss loans to shaky developing countries are cast

Third World debts.

Comparing the capital to total assets ratios of the five largest commercial banks in key Western nations, the Union Bank of Switzerland recently reported that the ratio for Swiss banks stands at about 5.5 percent compared with 4.6 percent in Britain, 4.7 percent in the United States and 3.4 percent in Canada.

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Alfred Sarasin, the Swiss Bankers' Association president is convinced that Swiss banks face greater international challenges than in the past and have to find fresh ways to deal with higher risks.

Speaking to the association on its annual day, he said: "Because of these new developments the attitude towards (Swiss) banks must change. Tomorrow's aim should not be to see how the power of banks can be better controlled, reduced or mastered. Instead, thought should be given to such questions as, are we, bankers, strong enough? Should we increase our reserves? What risks should be assumed respectively by banks, by enterprises or by the state?

"The days of positive results are not yet past for well-managed banks but fine results will be much more difficult to achieve," he said.

Willy Ritschard, then finance minister, reassured bankers that any revisions in the banking law will be carefully considered.

So far, the economic recession and severe international competition in the market place for goods and services has forced Swiss banks to move into uncharacteristic areas. For instance, they have had to mount rescue operations on

an unprecedented scale to save the important watchmaking and machine-building industries. In the case of watchmaking, this meant a virtual takeover by banks of day-to-day management.

Ernst Kugus, a professor at Zurich University's Institute for Swiss Banking, suggested in a recent article that as the 1980s proceed, banks will "not only increasingly become sources of emergency and refinancing funds but will also come into their own as business advisers to Swiss companies." This raises the need for reassessment of criteria to judge credit worthiness to include our reserves? What risks should be assumed respectively by banks, by enterprises or by the state?

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tions such as pension and health funds.

Consequently, banks are having to learn more about stock market dealing, asset administration and issuing, as well as financial and securities analysis. Even today, more than 90 percent of new issues handled by the large banks end up in the portfolios of institutional customers.

Banks are offering new instruments including time deposits, money market paper, futures, and Euromoney and Eurobond investments.

At the same time, methods of payment are changing with electronic handling of debits and credits to bank accounts directly from the retail store now a realistic possibility on the horizon. Customers may even bank from home using computer terminals. More importantly, computerization of interbank transactions, as well as those between post office giro accounts and the retail trade may require thorough reorganization of existing gyro and clearing procedures. All these changes also might affect the means by which the national bank controls money supply.

— BRU KHINDARIA

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West's Recession: Effects on East

(Continued From Page 9)

the United Nations Economic Commission for Europe. GATT figures show that reflecting the Western economic slowdown, the rate of growth of aggregate national income of East Europe and the Soviet Union has declined steadily since 1977 (with the exception of 1980). The average income grew by 6.3 percent in 1971-75, but fell to 1.9 percent in 1982. For the Soviet Union, the rate fell from 5.6 percent to 2.5 percent, while it plunged to 7.8 percent to minus 0.1 percent for East Europe during that period.

With falling economic performance, East Europe's debt burden has become crippling. It rose to more than \$65 billion last year from \$58 billion in 1981 and a cumulative figure of \$45 billion for the 12 years preceding 1981.

Debt service (interest payments and administration charges) alone equaled about 60 percent of East Europe's exports to the West in 1981. But the Soviet debt is negligible because of its ability to earn enough from the West mainly through energy and gold exports.

After years of running trade deficits with the West, East Europe and the Soviet Union as a group had a \$1.8-billion surplus in 1982, with industrialized countries and a \$3.5 billion surplus in world trade as a whole. Of course, the average surplus hides deficits in individual member nations.

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Because of the lack of diversification in both its import and export structures, the Soviet economy tends to be more affected by changes in Western demand and ability to supply than the West is affected by changes within the Soviet Union.

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Despite its prudent economic management, East Europe's and the Soviet Union's share in total world trade has remained between 9 percent and 12 percent for the last 10 years. Interestingly, however, the share of Western nations in the areas overall trade increased from 16 percent in 1955 to 31 percent in 1982, while trade among East European countries fell from 76 percent of the total to 50 percent in the same period. These figures again illustrate the East's dependence on Western economic health for its own well-being in spite of its different market and pricing philosophies.

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EUROMARKETS

Nordic Commercial Banks Reappraise Joint Ventures

STOCKHOLM — The image of Nordic commercial banks, viewed as traditionally linked in Euromarkets to the consortium banking method of conducting international transactions, is in a state of flux.

And the changing contours of the Eurocurrency markets are changing, colored by the effects of the international debt crisis and increased supervision, bankers of the five Nordic countries, together with their European and U.S. colleagues, are reappraising the notion of joint ventures as a useful tool in Euromarket transactions.

"The consortium idea is far from dead, but a restructuring is clearly taking place in this area of banking," says head of Svenska Handelsbanken's central international division, Mr. Ekman, said recently in Stockholm. He said that if the market share of Eurocurrency lending in London is taken as a yardstick of banking importance, whereas in 1974 consortium banks represented a 38 percent share, in 1982 they held but 4 percent; a 50-percent fall in market share.

Other foreign banks, principally U.S. and Japanese, had usurped the consortium banks' market share London by last year. Their branches and subsidiaries have grown more rapidly, from 164 in 1978 to 347 in 1982, whereas the number of parent banks holding stakes in London joint venture bank has dropped over the same period from 91 to 70.

The main center for consortium banks is London, and it is there that some major changes have taken place. In recent years some joint ventures have disappeared, becoming in some cases wholly owned subsidiaries of one of the original parents. Some have simply been discontinued. Others still have been created. All the moves, however, mirror a clear change in attitude on the subject of consortium bank participation.

At first sight, the joint venture appeared to be a custom-built vehicle for Nordic banks' expansion overseas. Originally too small to go alone, the institutional form of the consortium banks' minimum of 5 percent. Several banks could pool their resources, expertise and talent and apply the longer-term financing needs of multinational companies such as Sweden's Volvo and L.M. Ericsson. It also offered a wider diversification of investments than an individual venture by one of the

then relatively small Nordic commercial banks.

Another factor was also at play. It was the whole development of the Euromarket, Eurobonding, and it was often very difficult for management in international divisions of European banks to convince the board that they should get involved in foreign banking, but when they joined up in consortia, they found themselves in some ways on safer ground," Mr. Ekman said.

"The explosive increase in Euromarket lending, particularly after the 1973 oil price shock, and the sharp increase in competition, then the sudden contraction in Euromarket lending with the advent of the debt crisis, all combined to create a volatile atmosphere for consortium banking and hardly the most suitable terrain for measured growth in profitability and return on capital," Nordic bankers said.

The Nordic parent banks in many cases began to feel that the fruits of cooperation, achieved at the expense of renouncing independence of judgement, were now fully exhausted, that their sharp balance-sheet growth and increased experience enabled them to conduct Euromarket transactions alone from home or via wholly owned subsidiaries and branches, and that, finally, running costs were high and not commensurate with the venture's business volume.

The present international debt crisis may also be exerting an indirect effect on consortium banks, several Scandinavian bankers said. In the cases where parent banks are heavily exposed to sovereign risk and problem countries, their consortium interests may be forced to reduce their credit ceilings and country limits so that the parent's overall exposure is reduced, the number of joint ventures.

Moreover, consortium banks have had problems creating new types of business or sources of fee income, in many cases relying too heavily on earnings generated from traditional Euromarket financing operations instead of, for example, entering the merchant banking sector. "Consortia function well in times of expanding business and high profits, but in difficult times they tend to run into problems because they tend to be slow to mobilize 'crisis management,'" Mr. Ekman said.

Two of the oldest London-based Nordic ventures, Nordic Bank and Scandinavian Bank, are good illustrations of the restructurings taking

place in consortium banking. Last September, Sweden's Skandinaviska Enskilda Banken announced that it was increasing its shareholding in Scandinavian Bank from 37 percent to 45.7 percent after the decision by the joint venture's two Danish shareholders to withdraw. One of the Danish banks, Den Danske Bank, which held a 14.3 percent share in the bank, opened its own London branch in 1982.

The restructuring in Scandinavian Bank was preceded by the announcement in August that Norway's largest commercial bank, Den Norske Creditbank, was buying out the other three shareholders in the London-based operations of Nordic Bank. Founded in 1971 at the height of the joint-venture enthusiasm, Nordic Bank was jointly owned by Copenhagen Handelsbanken of Denmark, Svenska Handelsbanken of Sweden, Kansallis-Osake-Pankki of Finland and Norsk Creditbank.

This meant that economic trends and indicators could, and did, go largely unnoticed as policy makers busied themselves with the switchover to democracy. When the macrostatistics were finally studied, the picture was bleak.

In 1973, external debt stood at \$3.5 billion, a figure equal to half Spain's reserves or income from exports and was just 5 percent of the gross domestic product. In 1982, the external debt topped \$28 billion, or 16 percent of the gross domestic product, a staggering figure by comparison, which was twice the existing reserves and represented 80 percent of export income.

Meanwhile, the cost of the Spanish debt, in common with other comparable economies, has almost doubled over the period, moving from an average cost of 6.7 percent in 1973 to 13.1 percent in 1982. This was principally due to the general rise in interest rates and to the increasing dependence on floating-rate syndicated loans, which at present account for 85 percent of the Spanish debt. Treasury officials in Madrid, however, stress that the spreads have been fairly low. In 1981 and 1982, 90 percent of the floating-rate loans were clinched at an average spread of between 1% and 1.5% over Libor, the London interbank offered rate.

The cost trend has continued to be pronounced over the past two years, rising from 11.6 percent in 1981 to 13.1 figure last year. During this two-year period the peseta has depreciated sharply against the dollar, falling by 19 percent up to 1982 and by a further 30 percent in the current year. Spanish treasury figures show that the depreciation has led to a decrease in dollars of the gross domestic product over the past two years. Perhaps the most concerning solvency indicator is that while the external debt has more than tripled between 1973 and 1982 as a percentage of the gross domestic product, passing from 5 percent to 16 percent, the net capital investment over the same period has decreased as a percentage of the gross domestic product from 24.7 percent in 1973 to 19.4 percent in 1982. This would indicate a perceptible tendency to use external borrowing as a stopgap measure to cover a drop in domestic savings.

Mr. de la Dehesa said, however, that exports of capital goods and services had also risen over the past nine years, going from 12.4 percent of the gross domestic product in 1973 to 19.6 percent in 1982. "If Spain continues to produce a greater proportion of export services and goods there will be no solvency problem, as long as the growth rate continues to be greater than that of the debt, as has been the case in 1982 and so far in 1983."

The Madrid administration employs a further two liquidity indicators to impart confidence — the debt service against goods and services exports stood at 19.8 percent in 1982 while reserves, in real gold-price terms, represent 40 percent of the total external debt. The 20 percent figure for the debt service is considered "normal," even in European countries, at the present moment, Spanish officials said, while the reserves against total debt cover is held by "more than ample cushion." Mr. de la Dehesa said that

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However, in June Prime Minister Mario Soares's Socialist-led coalition called in the International Monetary Fund days after taking office and accepted the harsh fiscal terms imposed by the fund. According to the former finance minister, Anibal Cavaco e Silva, the deal with the IMF, "changed conditions overnight and restored international confidence in the country."

Bankers' doors shut firmly in December following the resignation of the center-right government. By spring Lisbon had been forced to sell 50 tons of its 688-

ton gold reserves to raise \$700 million from the Bank of International Settlements to cover immediate foreign payments.

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In record time last month, Lisbon secured a seven-year republic loan of \$350 million, half at 7% of a point above Libor and the remainder at 50 points above the U.S. prime rate, from 16 international banks that only months earlier had been reluctant lenders.

And while the social and political implications of the IMF agreement will only work their way through in the new year, Finance Minister Emilio Lopes is already cautiously optimistic about the size of the predicted drop in the 1983 balance of payments deficit. He said on Nov. 9 that it would be cut by between \$1.2 and \$1.7 billion, in itself a remarkable achievement.

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As one foreign banker in Lisbon said: "The Euromarkets are looking with renewed interest at Portugal and public sector companies and institutions should find them more receptive in coming months."

The banker's mood fails to take account of the effects of the domestic austerity program now under way. The program includes curbs on credit and reduced expansion and development targets, making demands by traditional borrowers for foreign funds considerably lower in the short term. That is "the price we pay," one economist said, "for allowing the economy to overheat the way the previous government did."

Frequent public sector borrowings like the state oil company PETROGAL, the grain monopoly

the solvency and liquidity indicators are "in general, acceptable, although those of liquidity are better than those of solvency."

The Madrid Finance Ministry projects a growth of the external debt from the \$28 billion figure of 1982 to \$31.1 billion in 1986. This forecast is based essentially on halting the depreciation of the peseta against the dollar and on meeting growth targets of 2.5 percent for the gross domestic product in 1986. Against the 30-percent depreciation of the peseta in 1983, the projection is a 6-percent depreciation next year, 3 percent in 1985 and 1 percent — in short, a stable currency — in 1986.

This turnaround would mean that in place of a 1983 drop in dollars of 5.2 percent in capital and services exports, as a result of the depreciation, the 1986 export figure, according to the growth target for the gross domestic product, would be a rise in dollars of 13.6 percent.

The projected total external debt growth is in marked contrast to that of past years. From 1982-86, according to the ministry's calculations, it will grow by 8 percent, against a rise in the debt of 47.6 percent in the period 1978-82. The change in borrowing requirements is all the greater when it is compared with what is likely to occur in other economies where inertia will continue and growing debts will be necessary to meet interest payments and to make up for domestic savings shortfalls.

The projected change in the tendency in the Spanish economy means that the solvency and liquidity indicators will be maintained in their form and will not worsen. Madrid views its situation as one of relative comfort by comparison. "Spain should have no problems in annually renewing its external debt and increasing it in order to meet current-account deficits."

A major spinoff of the government's present orthodox monetary policy and of the apparent success against inflation — down from 14 percent at the end of 1982 to 12 percent this year and with a target of 8 percent next year — is the steady of the peseta. This should act as a spur to the private sector in Spain to return to the international money markets with confidence in the exchange rates. This would be an added reason for the "queues of foreign banks" during the IMF meeting.

Euromarkets Show Renewed Interest in Portugal

By Ken Pottinger

LISBON — After several years of easy access to the Euromarkets, Portugal encountered difficulties in the first half of 1983 when financial confidence was undermined by political instability and a record \$3.2-billion balance of payments deficit.

Central bank negotiators faced a long haul to close the \$350-million republican loan in June, and two public sector giants stirred little Euromarket interest in their early summer bids for funds.

Bankers' doors shut firmly in December following the resignation of the center-right government. By spring Lisbon had been forced to sell 50 tons of its 688-

ton gold reserves to raise \$700 million from the Bank of International Settlements to cover immediate foreign payments.

However, in June Prime Minister Mario Soares's Socialist-led coalition called in the International Monetary Fund days after taking office and accepted the harsh fiscal terms imposed by the fund. According to the former finance minister, Anibal Cavaco e Silva, the deal with the IMF, "changed conditions overnight and restored international confidence in the country."

In record time last month, Lisbon secured a seven-year republic loan of \$350 million, half at 7% of a point above Libor and the remainder at 50 points above the U.S. prime rate, from 16 international banks that only months earlier had been reluctant lenders.

And while the social and political implications of the IMF agreement will only work their way through in the new year, Finance Minister Emilio Lopes is already cautiously optimistic about the size of the predicted drop in the 1983 balance of payments deficit. He said on Nov. 9 that it would be cut by between \$1.2 and \$1.7 billion, in itself a remarkable achievement.

In record time last month, Lisbon secured a seven-year republic loan of \$350 million, half at 7% of a point above Libor and the remainder at 50 points above the U.S. prime rate, from 16 international banks that only months earlier had been reluctant lenders.

As one foreign banker in Lisbon said: "The Euromarkets are looking with renewed interest at Portugal and public sector companies and institutions should find them more receptive in coming months."

EPAC and the state electricity board EDP, are expected to find significant central bank barriers to untrammeled operations on the Euromarkets. By law the central bank has the final word on all foreign loan operations, a conservative policy that effectively puts a brake on the operation of money markets.

Before the current Socialist-Sozial Democratic coalition took office Portugal's external debt had doubled in three years to reach \$13.5 billion by the end of 1982.

According to Mr. Lopes, servicing this debt represents 27 percent of the current receipts in the balance of payments.



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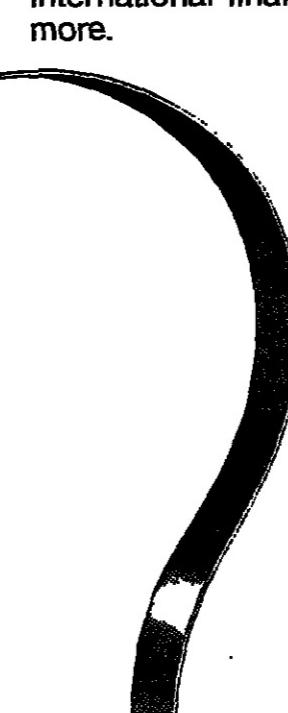
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Thus the consortium venture as a vehicle for the international — and Euromarket — business of Nordic banks is far from finished. Several smaller banks in the region, as they step up their overseas operations and expand into new areas, still regard joint ventures as the safest and best banking route to service their own international profile: "There are new ones [consortium banks] coming up, because for smaller banks — like ours — the costs of setting up an independent operation in London in terms of capital, manpower and business are such that you can't afford it," said Gustav Matson, general manager at the Bank of Helsinki.

As long as the Nordic banks remain active in the Euromarkets — and there is no likelihood of this diminishing in the long term — there will be a seat for Nordic consortiums to occupy, even if their role in overall international banking is no longer as great as it once was.

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EUROMARKETS

Pension Funds: Placements Juggling Act

By Peter Grange

LONDON—Old habits die hard. None harder, perhaps, than those of pension fund managers. When they are about to invest, they tend to first ask themselves where they should place the money—in equities or in fixed interest. That is the wrong question, according to Keith Brown, a vice president with Bank of America's International Investment Management Service (IIMS). The choice should not be between bonds or shares but a mixture of the two.

"Fund managers should first decide the ratio of equities and bonds to apply to the investments," Mr. Brown said. "Once that's settled, they should then look at world markets for the best return for a given volatility."

When U.S. pension funds started investing outside the United States in the mid-1970s, fund managers thought almost exclusively in terms of investing in the world's major equity markets. The rationale was that studies on the performance of international equity markets showed that the addition of international equity to domestic share portfolios increased the potential return and/or reduced risk.

Mr. Brown said that a similar case can be made for international bonds. He pointed out that international bond markets are comparable in size to the U.S. domestic bond market and that bond portfolios invested internationally have historically achieved higher overall rates of return than those restricted to the domestic bond market. He also said that their use did not necessarily result in any additional volatility of return.

Bank of America's IIMS has designed international portfolios that allow performance-oriented managers of U.S. pension funds full rein, without harming actuarial assumptions. "We can construct a bond portfolio—making full allowance for swaps and anticipated shifts in return—that leaves investment balances to the best efforts of a performance-oriented manager," Mr. Brown said.

Urged on by similar argument from both U.S. and European investment bankers with a keen eye to new business, U.S. pension funds have been gradually internationalizing their bond portfolios. Back in 1980, according to a survey conducted by Institutional Investor, a U.S. magazine, almost 55 percent of U.S. pension funds anticipated at least some commitment to foreign securities, and the indications were that the preferred international portfolio would comprise on average 65-percent corporate stocks and a 35-percent mix of government and corporate bonds.

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Currently, of the \$600 billion in U.S. pension funds, an estimated \$11 billion is invested in foreign securities, so on the admittedly stretched assumption that a more than three-year-old preference holds good, U.S. pension funds may well have about \$4.4 billion invested in international bond markets.

The structure of pension fund investment does, of course, vary widely from country to country. In many European countries, national regulations prohibit or discourage foreign investment, particularly with regard to pension funds. For example, both Denmark and Luxembourg restrict pension fund investments to securities denominated in their domestic currencies. Since 1982, Irish funds have had to observe a limit of 10 percent on overseas investment.

Even in Germany and Switzerland, two countries that enjoy heavy inflows of investment capital, foreign investment is not free of constraints. For example, the German authorities impose strict controls on pension fund investments.

However, German pension funds bear little similarity to funds in the rest of Europe. The strength of the Swiss franc is as formidable a barrier to Swiss foreign investment as any erected by the cantonal authorities.

Only Britain, the Netherlands and Belgium allow pension fund managers total freedom to invest in foreign securities, although in Britain the freedom is subject in many cases to the trust deed governing a fund. While in the Netherlands, the civil service pension fund, known as ABP, which accounts for roughly 50 percent of all Dutch pension funds, is not allowed to invest outside the country.

There are also marked differences in investment patterns among European pension funds. U.K. funds are heavily geared to the London stock market. A survey published by the London Stock Exchange earlier this month showed that the proportion of shares held by institutional investors accounted for 57.9 percent of the market's total value. In the six years to 1981, U.K. pension funds increased their share of the market from 16.8 percent to 26.7 percent. Forecasts suggest that their share of the market varies by between 1.5 percent and 2 percent a year.

With a flourishing domestic market in government bonds, U.K. pension fund interest in international bond markets "is almost negligible," according to Wood Mackenzie, the Edinburgh brokerage firm. Of the approximately 15 percent of U.K. pension fund portfolios invested overseas, the bulk is in equities and virtually the whole of the rest in performance-oriented manager.

Elsewhere in Europe, the picture is different. The pattern is largely determined by the size of domestic capital markets. Domestically, Dutch pension funds are heavily invested in fixed-interest securities, with only 10 percent or so committed to equity and property, while foreign investments—about 5 percent of total assets value—usually show a preference for fixed interest.

In Belgium, pension funds are more heavily committed to foreign investment. It amounted to 28 percent of their assets in 1982, more than two-thirds of it in foreign bonds. The foreign investments of Swiss pension funds total about 8 percent of total assets, the bulk of it in U.S. equity, although allowance has to be made for the high volume of Japanese convertible bond issues floated in the last 10 years. Swiss pension funds took kindly to a Swiss-franc-denominated bond geared to the price of shares in a buoyant market dominated in a strong currency.

Technically, bonds issued in Switzerland are foreign assets as they are floated in only one capital market. In contrast, Eurobonds are floated in several capital markets at the same time. Undoubtedly, a major attraction of Eurobonds and foreign bonds is that unlike most domestic bonds, they are not subject to withholding tax. This and the convenient option of holding them in "bearer" form, appeals to many investors who put a premium on anonymity.

Other advantages of the Eurobond market are its size, the greater diversity of debtors compared to most foreign and domestic bond markets, and, from the potential debtor's standpoint, its accessibility. In the period January to October 1983, debtors comprising governments, state enterprises, international organizations, and private-sector companies and banks issued Eurobonds to the extent of \$38.5 billion, according to figures released by Salomon Brothers, the New York-based investment bank.

Issues on foreign bond markets totaled \$21.6 billion in the first 10 months of 1983. Most foreign bond markets are subject to formal or informal "queue" arrangements, which effectively inhibit borrowers taking advantage of favorable market conditions. Moreover, the U.S. "Yankee" market, by far the biggest foreign bond market in terms of nominal value outstanding, is dominated by Canadian issues.



A communal farm in Mexico financed by a loan from the Inter-American Development Bank.

Portfolio Managers: Raising Risk Factor

By William Ellington

LONDON—Most bond investors employ the same broad strategy of attempting to reduce their risks while maximizing their income. Yet, a new breed of bond portfolio managers has emerged—one that takes added risks in anticipation of being able to improve the performance of their portfolios.

Traditionally, managers of fixed-income securities are adverse to taking risks because their main objective is to achieve certain actuarial objectives, such as a 10-percent return over a 10-year period. There is little glory or reward for the managers if their goals are exceeded.

However, an increasing number of mutual funds (or unit trusts) have been formed to invest in Eurobonds and other fixed-income deals available internationally. Common to most of them is that their performance is crucial in attracting investors. Most of these funds are open-ended, meaning investors can subscribe to newly issued shares at the net asset value per share (plus a small charge) or redeem them at the net asset value.

Many of these funds are only a few years old so that their performance cannot be judged over a long period. For instance, it was only after Britain's exchange controls were removed in 1979, that most of London's merchant banks established bond funds in offshore centers such as Jersey, Guernsey, Hong Kong and Bermuda. Among them were the Kleinwort Benson Eurobond Fund, Lazard Brothers International Income Fund, and Mercury Eurobond Fund, affiliated with S.G. Warburg and Co. and Schroder Dollar Fixed Interest Fund, which is sponsored by J. Henry Schroder Wag and Co.

At the same time, London's large clearing banks set up international bond funds of their own. In addition, British insurance companies started providing similar investment vehicles, aimed particularly at Britons who work abroad.

Some international bond funds have been formed by a consortium of financial institutions, which are seeking to build up the international dimensions of their money-management business. One example would be International Bond Trust, a Luxembourg-based bond fund with assets at the end of September of about \$229 million. Formed in 1980, the fund is jointly operated by Duwa Securities Co., Banque Nationale de Paris, Dresdner Bank and Hill Samuel and Co.

Some funds have been around for more than a decade, such as those operated by the large Swiss banks and Rororo, the Rotterdam-based bond fund with about \$1.53 billion under management at the end of August.

A number of funds invest in international bonds denominated in a single currency—the one in which they keep their accounts—and so avoid a currency risk. However, most of them invest in several currencies, altering their currency exposure from time to time in an effort to improve the total return of the portfolio.

Total return measures the accrued interest of a bond portfolio and the change in market value of the portfolio. The sum of these two items is translated into the base currency, that is, the currency in which the investor keeps his accounts. This result is then compared, using the same calculations, with the account at an earlier period to get the total return.

To take a concrete example, if a dollar-based investor purchases a Deutsche-mark bond at par bearing 8 percent, his cost in dollars would be \$400 if the exchange rate of the time is 2.50 marks per dollar and the par value of the bond was 1,000 marks. Assuming that after 90 days

the bond price fell to 98, the investor would break even in the host currency because he would have earned two points in accrued interest, which offsets the two-point loss in market value of the bond. However, if the dollar declined to 2.40 marks in the period, the value of the holding translated into dollars would rise to about \$416.67. Since the original cost was \$400, the total return would be the percentage difference between the two figures or a gain of about 4.17 percent.

Several firms involved with Eurobond underwriting and dealing have started to keep track of total returns and recommend specific currency mixes for bond portfolios. For instance, Salomon Brothers, the U.S. investment bank, publishes monthly data on the total return in bonds and money market instruments in eight currencies. The firm's total return indexes show that for the first 10 months of this year, the total return in Eurodollar bonds came to 10.1 percent. Looking at just fixed-rate Eurobonds, its return was exceeded only by Euro-Canadian dollar bonds, which posted a 13.9-percent gain in the period. This result has so far caused most of the European currency-oriented bond funds to underperform those funds that have been diversifying out of the dollar. Portfolio managers contend, however, that it is the job of professional money managers to anticipate future trends.

Phillips and Drew and James Capel and Co. are among the London brokers who provide estimates of future total return. Phillips and Drew estimates indicate that the dollar will continue to outperform other currencies over the next six and 12 months. However, James Capel foresees bonds denominated in yen as Deutsche marks putting in the best performance.

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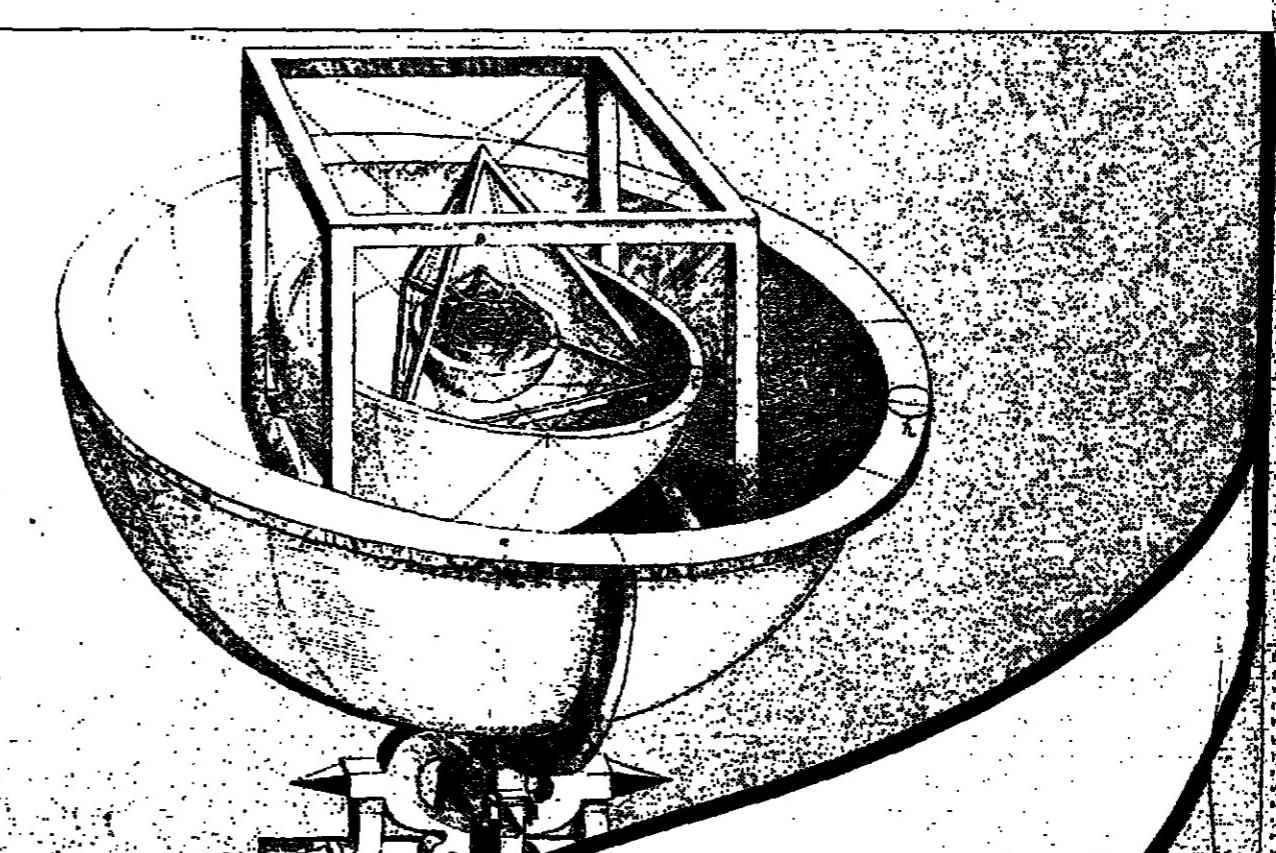
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ARTS / LEISURE

Nana Vasconcelos And the Breakers

By Michael Zwerin

International Herald Tribune

NEW YORK — Nana Vasconcelos blends the sound of his own singing, moans, chants and whispers with percussion instruments, such as the berimbau, talking drum, timbales, congas, bongos, maracas, bells, stones and anything you can pound, shake or rattle. He built many of them himself.

Unlike other one-man bands, he does not even need instruments. With the accompaniment of an Amazonian smile that flooded the room, he flicked his tongue, clapped hands, slapped his arms, thighs, torso, neck and face and exclaimed: "Bod; percussion."

Copiously recorded, this eclectic percussionist lives in rare time, more a plane than a warp. There is an aura about him, a sort of visible swing, even when he is motionless. He blends traditional instruments from his native Brazil, Africa, India and North America into a personal and contemporary mix he calls "World Music," a fusion of existing structures and his own identity.

Now with a quiet smile, on the embarrassed side, he boogied between the music-makers strewn on the floor of his Manhattan living room and punched out his latest toy, an electronic drum machine.



Icompose pieces for me," he says. "This is a departure for me. Usually I improvise, never play the same thing twice, but breakers are used to dancing to recordings."

In her proposal, "Breaking, a Project in Urban Dance" to the National Endowment for the Arts, Fraad points out that the breakers' "swipe" routine seems to derive from certain African rituals, and other movements "resemble an ancient dance form practiced by slaves in Brazil, incorporating martial arts movements in a way which disguised their meaning from their captors."

Vasconcelos feels a strong need to promote and relate Brazilian musical culture to the rest of the world. He was born in Recife in 1945. At the age of 12 he was playing percussion with his father, a guitarist, in cabarets. "I grew up with music," he says. "Every Brazilian grows up with music. It is in the air. You feel



Nana Vasconcelos provides the beat for a breaker practicing his routine.

it in your body. You feel it just going to the corner for a coffee."

By the mid-'60s, he had mastered a wide range of percussion instruments and was playing in military bands, in dance halls, symphony orchestras, theater pits and bossa nova groups. He developed a sort of Copacabana-bebop with his version of Paul Desmond's "Take Five." He moved to Rio and played with Milton Nascimento.

Gato Barbieri hired him in Rio and they toured Argentina and Europe. Vasconcelos was on the map, meeting between continents, recording with Nascimento, Egberto Gi-

monti, Jean-Luc Ponty, Leon Thomas, Oliver Nelson, Brian Eno, Colin Walcott and Pat Metheny. He also can make an evening of solo percussion interesting.

Living in Paris for four years in the '70s, he gave workshops for mentally retarded children and discovered that children who could not express themselves verbally could create quite coordinated body percussion. He became fascinated by the effect of music on children, and when he moved to Manhattan and found Magnificent Force breaking in the south Bronx, he could not help getting involved.

"I compose songs for them, rehearse with them. I know their moods, each kid has his favorite tempo. The dances tell stories. Their father threw them out, so they got cut up in a fight. It can get very political. I feel something very positive in this dance. The kids who once only came downtown to rob something is now so proud to be considered an artist, performing in clubs and theaters. And they have developed. Now I start to improvise on top of the drum machine program, and sometimes they are able to dance just to my berimbau."

Cross-fertilization. Vasconcelos brought the dancers' own ancient traditions to the ghetto, the ghetto brought Vasconcelos to electricity.

He went over to the drum machine again and programmed it to sound like a Nana robot. He wailed over the echoing beeps, plucked the berimbau's wire string, stretched over the arched bow, tapped a talking drum in time with the electronic gurgles and splashes. Then, switching it off, spreading his arms wide, he laughed and pronounced the name of his next project: "Nantronics."

Nana Vasconcelos will hold a workshop with Dan Cherry as part of the Viva Festival in Grenoble, Dec. 13-17. They will perform in the Maison de la Culture in Grenoble, Dec. 15, and in the Maison des Sports in Villeurbanne (Lyon) on Dec. 17. He will tour France, Germany, Italy, Switzerland and Belgium next spring with Magnificent Force.

writes before it acquired the flavor he was looking for. "The first time I put ketchup in my coffee, but I'll eat it on almost anything else. Now he's asking, 'Is There Life Without Ketchup?'" "Certainly not," he answers to the question posed by the title of his book.

The inspiration for the tome came from his former girlfriend, who choked while he was dumping ketchup on his breakfast — including his toast with jam.

One thing he learned surprised him. Ketchup is not necessarily made just out of tomatoes. "Take away the tomatoes and what's left is ketchup," he said. "You can put any old thing you want in it."

The book went through three re-

prints before it acquired the flavor

he was looking for.

"The first time I put ketchup in my coffee, but I'll eat it on almost anything else.

Now he's asking, 'Is There Life Without Ketchup?'" "Certainly not," he answers to the question posed by the title of his book.

The tide did not vault to the top of the best-seller list. He paid to have it published and peddled it personally to 23 bookstores. He was selling three or four copies a week.

It's changed the package a bit. It now includes the book, a collection of recipes of the "King of Ketchup" has tested himself, and four jars of Manchurian, Cantonese, apricot-tomato and plum ketchup. The whole batch re-

tails for \$16.95.

Whistler's Mother Visiting Washington

Socialists are putting their own people in the key jobs. Opponents of the Socialist line who come after the INAO regulations are being hit with fines 5 and 10 times larger than those the loyalists, he insists.

One problem with that argument is this: Where do you find a wine grower who is also a Socialist?

Worse, the wine men say, the wine cooperatives, which are more in keeping with Socialist doctrine, are getting government subsidies and cheap loans to improve their plants while the private houses have to struggle on with their heavy interest payments and ever heavier taxes. (A spokesman for the Ministry of Agriculture denied that any favoritism is being shown to cooperatives.)

This is where tradition comes in. Anyone whose family has made and sold wine through four centuries of French politics and French wars is not going to be destroyed by a Socialist government. Oh, he may put something aside in Geneva, but governments come and go and the grape is, well, nearly eternal.

You only have to see all the construction going on. New wine-making plants are being built, new vineyards are being planted, new barrels are being bought. Duboeuf has just opened a new storage and bottling plant at Romescles-Thorins that is literally the site of an auto-assembly plant. Bollinger, the prominent Champagne house, has recently completed a new bottling and fermenting plant, even if it is only a tenth the size of Duboeuf's, and even the least important growers are, if nothing else, painting the house.

Good restaurants in the wine country are full all the time, even though this is the peak neither of the summer tourist season nor the fall wine tourist season.

Walk-in sales at the wineries are going well. In Bordeaux, until recently a wasteland for wine enthusiasts, chateaus along the wine route through the Medoc are reporting thousands of francs in sales to motorists, much of it in the form of contracts for the 1982 vintage, which has yet to be bottled. For the first time in anyone's memory, Europeans have been caught up in the wine futures fever. Extensive press coverage of the 1982 Bordeaux has made a lot of people eager to invest in them before they're all gone, and many customers are turning wine touring trips into wine buying trips.

Above all, a trip such as this serves to bring home yet again the spectacular beauty of so much of France. The Vosges Mountains climbing up behind medieval Riquewihr, their slopes covered with yellow-leaved vines. The Clos de Vougeot, standing regally in the midst of the most expensive farming land in the world, the vineyards of the Côte d'Or, the rolling hills of Beaujolais, barely outlined in the morning fog, the winding streets of Beaune, not much changed since the days of the dukes of Burgundy. No wonder these wines taste so good.

Read With a Dash of Ketchup

The Associated Press

SAN JOSE, California — Dave Fraad rejected a suggestion that he put ketchup in his coffee, but he'll eat it on almost anything else. Now he's asking, "Is There Life Without Ketchup?" "Certainly not," he answers to the question posed by the title of his book.

The inspiration for the tome came from his former girlfriend, who choked while he was dumping ketchup on his breakfast — including his toast with jam.

One thing he learned surprised him. Ketchup is not necessarily made just out of tomatoes. "Take away the tomatoes and what's left is ketchup," he said. "You can put any old thing you want in it."

The book went through three re-

writes before it acquired the flavor he was looking for. "The first time I put ketchup in my coffee, but I'll eat it on almost anything else. Now he's asking, 'Is There Life Without Ketchup?'" "Certainly not," he answers to the question posed by the title of his book.

The tide did not vault to the top of the best-seller list. He paid to have it published and peddled it personally to 23 bookstores. He was selling three or four copies a week.

It's changed the package a bit. It now includes the book, a collection of recipes of the "King of Ketchup" has tested himself, and four jars of Manchurian, Cantonese, apricot-tomato and plum ketchup. The whole batch re-

tails for \$16.95.

Whistler's Mother Visiting Washington

United Press International

WASHINGTON — One of the world's best-known paintings, "Whistler's Mother," will go on display next month at the Corcoran Gallery of Art in an exhibition of American masterpieces. Formally titled "Arrangement in Grey and Black: Portrait of the Painter's Mother," the 1871 painting is making a rare visit to the United States from the Louvre in Paris for the exhibition "A New World: Masterpieces of American Painting, 1760-1910," which premiered in Boston in September. It is only the second time the portrait of Anna Matilda Whistler, 67 when her son painted her, has been on view in Washington. The exhibition opens Dec. 7 and runs through Feb. 12, then will go to Pa-

ris.

This is going to be a good wine year in France. From

the remote corners of Bordeaux to the northernmost reaches of Chablis and Champagne, the word is plen-

itude: of grapes, of sugar, of sun. Champagne had one of its largest crops ever, and the wine, if not outstand-

ing, is good. Quantity was down in Bordeaux but many wine makers are reporting better balanced, longer-lived wines than in 1982, which has been widely hailed as one of the great years of the century.

What one finds is a wine community trying to juggle

its joy at having a potentially disastrous year turn into a very good one with its increasing concern with the political situation in France. Over a glass in an old-fashioned kitchen, a grower mutters darkly about the politicizing of the INAO, the Institut National des Appellations d'Origine, the government-backed wine industry watchdog. Slowly but surely, he says, the

whole system is changing.

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BUSINESS BRIEFS

Caltex of U.S., Indonesia's Pertamina Sign Agreement to Share Production

JAKARTA (UPI) — Caltex of the United States and Indonesia's state oil company, Pertamina, have agreed on a new 18-year production sharing contract for Indonesia's largest oil field, Energy Minister Subroto said Monday. Caltex is jointly owned by Texaco Inc. and Standard Oil Co. of California.

Since 1963, Caltex has operated Indonesia's largest oil field under a contract in which profits were split between Pertamina and its foreign contractor. Under the new pact, which will affect Monday, production also will be split, with 88 percent going to Pertamina, Mr. Subroto said. He said that the contract, which includes a Pertamina request for higher investment commitments by Caltex, should be completed soon.

Commerzbank Likely to Pay Dividend

FRANKFURT (Reuters) — Commerzbank said Monday that a sharp upturn in operating profit in the first 10 months of 1983 is a good base for payment of a six Deutsche-mark (\$2.24) dividend for 1983. For the previous three years, Commerzbank paid no dividend.

The bank said partial operating profits were 738.7 million DM, a 59.4-percent increase from the average level of the first 10 months of 1982. The figures include interest and commission income and normal operating costs. Overall operating profit rose more strongly, once results from trading for the bank's own account and pension provisions are included.

The figures exclude risk provisions on lending and depreciation of the bank's securities portfolio. And Commerzbank noted that the banking business is still being shadowed by the problems of indebted countries intensified by high interest rates and acute currency shortages.

Cut in Belgian Eurocredit Expected

BRUSSELS (Reuters) — Belgium's planned \$700-million Eurocredit will be cut to \$600 million because of the higher than expected yield of \$400 million of its latest international note issue, 20-year floating-rate certificates, bankers said Monday.

The eight-year syndicated loan, managed by Banque Bruxelles Lambert, Societe Generale, Kredietbank and Banque de Paris et des Pays Bas, would have a margin of 4½ percentage points over London interbank offered rates for the first four years, according to sources at Banque Bruxelles Lambert. They said the margin for the second four years would be 4½ percentage point over Libor, with repayments starting after a 4½-year grace period.

Mannesmann's Results Drop Sharply

DUSSELDORF (Reuters) — Mannesmann said Monday that results in the first nine months of this year were sharply down from those of the year-earlier period.

It gave no figure, but said the fall was caused by a drop in new orders in pipe operations, which suffered from falling prices, and from increased competition in plant-building activities. The company said that the general economic recovery had made little impact on its incoming order level in the nine months.

For 1982, Mannesmann reported world group net profit of 280 million Deutsche marks (\$103 million) on volume of 16.5 billion DM. Earlier Monday, the company reported a 20-percent drop in volume to 9.55 billion DM in the first nine months.

Battle for Eagle Heating Up

(Continued From Page 17) game which they can't lose," said Stephen Dias, an analyst at Lazard Frères & Cie.

A source close to Allianz disclosed that BAT and the West Germans had held peace talks before Monday's renewal of hostilities. He said the two sides had "failed" to agree on which bidder should gain control of which parts of Eagle.

Allianz started the bidding contest Oct. 19 with a bid of 500 pence in cash. BAT, with the support of Eagle's board, came back Nov. 2 with an offer of 575 pence in cash — debentures.

The debentures alternative is important to British stockholders who want to delay or reduce their liability to capital-gains tax. On Monday, Allianz promised to come up with a similar alternative if Eagle Star's board backs up its bid.

The acquisition of Eagle Star would fit in with the strategic goals of both BAT and Allianz.

BAT says it wants to get involved in financial services as a "fourth leg" to its current operations in tobacco, retailing and paper. BAT is particularly intent on reducing its dependence on tobacco, which accounted for 75 percent of its trading profit last year.

Allianz is eager to expand its foreign business, which currently accounts for only about 15 percent of revenue. The company said

Iraq Reportedly Builds New Gulf Oil Terminal

By Reuters

Iraq disrupts Iranian oil movements.

The Iraqi oil minister, Qasim Ahmad Taqi, said last week it was possible that Baghdad's forces might attack Kharg Island or a ship near the head of the Gulf.

A senior official also said early this month that Iraqi policymakers are attacking on Kharg as the only way to end the deadlock in the Gulf war, with Iran depending on its oil-export revenue to finance its side of the conflict.

The closure of Iraq's outlets on the Gulf end of a pipeline to the Mediterranean across Syria, which supports Iran, has cut Baghdad's crude oil exports to about 800,000 barrels a day from around three million before the war.

The diplomats said Iraq is building several tanks in the southern town of Zubair, 20 miles southeast of the port of Basra, to store the oil for renewed Gulf shipment. The oil would then be pumped to the boys off Faw.

The original Iraqi oil terminal at Faw, on the southern tip of the west bank of the Shatt al-Arab waterway, was destroyed by Iran early in the war along with Iraqi terminals at al-Bakr and Umm Qasr.

Faw is also within Iranian artillery range, lying 6 miles from Iran's Aboyan Island across the Shatt al-Arab.

Olivetti Denies Rumors AT&T Will Buy Into Firm

By Axel Krause

International Herald Tribune

company, with a 20 percent interest, in Olivetti spokesman said.

A group of Italian financial institutions, including Mediobanca and Istituto Mobiliare Italiano, bought 24 million shares. Two U.S. public investment funds, which the spokesman declined to identify, bought 16 million shares, and the remaining stock, totaling about 7 million shares, was placed with various European financial institutions, which the spokesman also declined to identify.

An Olivetti spokesman was responding to a report published Friday by Il Sole/24 Ore, Italy's leading financial daily newspaper.

Citing Wall Street sources, the article said that Olivetti, Western Europe's biggest maker of electronic office equipment, was planning a substantial capital increase next year, possibly of \$100 million, and that AT&T would buy into Olivetti at that time.

"There is speculation about the capital increase, but we have no plans, nor now," the Olivetti spokesman said. He added that it was "absolutely untrue" that the company was looking at AT&T as a "financial partner."

He said an AT&T executive in Washington confirmed that the companies were continuing their talks on cooperation, which might include data processing. The talks have been under way for several months.

Industry sources on both sides of the Atlantic said Monday that the renewed interest in the two companies' possible future cooperation stemmed from Olivetti's announcement last Thursday that it had placed 72 million of its shares, previously in French hands, with Italian, other European and U.S. financial institutions.

The largest portion of 25 million shares, was acquired by Compagnie Industrielle Kimme, which is controlled by Olivetti's chairman, Carlo de Benedetti. CIR thus became the largest shareholder in the company.

Another attraction of Eagle is its Grovewood securities unit, whose activities include building supplies, health resorts and motor racing. Peter Martin of Capel-Cure Myers estimated that the winning bidder could raise £200 million by selling Grovewood.

BAT shareholders are to vote Thursday on their company's bid proposal. Analysts expect approval.

Monday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street

(Continued from Page 18)

10 Month High Low Stock Div Yld PE SIS High Low Close Chg

17 ALADM High Low Stock Div Yld PE SIS High Low Close Chg

17 12 TWG 1.90 11.8 12 1.20 16.1% 10.1% +1.0%

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17 68 TWG 1.9

Open High Low Close Chg

Grains

WHEAT \$/MM bu minimum dollars per bushel

Dec 3.42 3.44 3.37 3.38 + .01

Mar 3.57 3.59 3.52 3.57 - .02

May 3.65 3.67 3.62 3.57 - .05

Jul 3.48 3.49 3.41 3.25 - .24

Sep 3.44 3.45 3.42 3.25 - .19

Oct 3.44 3.45 3.42 3.02 - .32

Prev. Sales 3.44 3.45 3.42 3.02 - .32

Prev. Dev Open Int. 3.008 3.007 off .27

CORN \$/MM bu minimum dollars per bushel

Dec 3.02 3.07 2.97 2.94 + .05

Mar 3.04 3.07 3.02 2.94 + .05

May 3.07 3.07 3.02 2.94 + .04

Jul 3.04 3.05 3.01 2.94 + .01

Sep 3.04 3.05 3.01 2.94 + .01

Oct 3.04 3.05 3.01 2.94 + .01

Nov 3.04 3.05 3.01 2.94 + .01

Dec 3.04 3.05 3.01 2.94 + .01

Est. Sales 3.04 3.05 3.01 2.94 + .01

Prev. Dev Open Int. 2.983 off .27

SOY BEANS \$/MM bu minimum dollars per bushel

Nov 6.94 6.98 6.98 6.95 - .01

Jan 6.95 6.98 6.98 7.04 + .05

Feb 6.95 6.98 6.98 7.04 + .05

Mar 6.97 6.98 6.98 7.04 + .05

Apr 6.98 6.98 6.98 7.04 + .05

May 6.98 6.98 6.98 7.04 + .05

Jun 6.98 6.98 6.98 7.04 + .05

Jul 6.98 6.98 6.98 7.04 + .05

Aug 6.98 6.98 6.98 7.04 + .05

Sep 6.98 6.98 6.98 7.04 + .05

Oct 6.98 6.98 6.98 7.04 + .05

Nov 6.98 6.98 6.98 7.04 + .05

Dec 6.98 6.98 6.98 7.04 + .05

Est. Sales 6.98 6.98 6.98 7.04 + .05

Prev. Dev Open Int. 6.98 off .05

SOY BEAN OIL \$/MM bu minimum dollars per hundred lbs

Dec 7.45 7.55 7.45 7.45 - .07

Jan 7.45 7.55 7.45 7.45 - .07

Feb 7.45 7.55 7.45 7.45 - .07

Mar 7.45 7.55 7.45 7.45 - .07

Apr 7.45 7.55 7.45 7.45 - .07

May 7.45 7.55 7.45 7.45 - .07

Jun 7.45 7.55 7.45 7.45 - .07

Jul 7.45 7.55 7.45 7.45 - .07

Aug 7.45 7.55 7.45 7.45 - .07

Sep 7.45 7.55 7.45 7.45 - .07

Oct 7.45 7.55 7.45 7.45 - .07

Nov 7.45 7.55 7.45 7.45 - .07

Dec 7.45 7.55 7.45 7.45 - .07

Est. Sales 7.45 7.55 7.45 7.45 - .07

Prev. Dev Open Int. 7.45 off .05

COFFEE \$/MM bu minimum dollars per bushel

Dec 1.42 1.44 1.42 1.42 - .02

Jan 1.42 1.44 1.42 1.42 - .02

Feb 1.42 1.44 1.42 1.42 - .02

Mar 1.42 1.44 1.42 1.42 - .02

Apr 1.42 1.44 1.42 1.42 - .02

May 1.42 1.44 1.42 1.42 - .02

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Oct 1.42 1.44 1.42 1.42 - .02

Nov 1.42 1.44 1.42 1.42 - .02

Dec 1.42 1.44 1.42 1.42 - .02

Est. Sales 1.42 1.44 1.42 1.42 - .02

Prev. Dev Open Int. 1.42 off .02

COFFEE C \$/MM bu minimum dollars per bushel

Dec 1.42 1.44 1.42 1.42 - .02

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Feb 1.42 1.44 1.42 1.42 - .02

Mar 1.42 1.44 1.42 1.42 - .02

Apr 1.42 1.44 1.42 1.42 - .02

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Prev. Dev Open Int. 1.42 off .02

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Nov 1.42 1.44 1.42 1.42 - .02

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Prev. Dev Open Int. 1.42 off .02

COFFEE C \$/MM bu minimum dollars per bushel

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Dec 1.42 1.44 1.42 1.42 - .02

Est. Sales 1.42 1.44 1.42 1.42 - .02

Prev. Dev Open Int. 1.42 off .02

COFFEE C \$/MM bu minimum dollars per bushel

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Jan 1.42 1.44 1.42 1.42 - .02

Feb 1.42 1.44 1.42 1.42 - .02

Mar 1.42 1.44 1.42 1.42 - .02

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Nov 1.42 1.44 1.42 1.42 - .02

Dec 1.42 1.44 1.42 1.42 - .02

Est. Sales 1.42 1.44 1.42 1.42 - .02

Prev. Dev Open Int. 1.42 off .02

COFFEE C \$/MM bu minimum dollars per bushel

Dec 1.42 1.44 1.42 1.42 - .02

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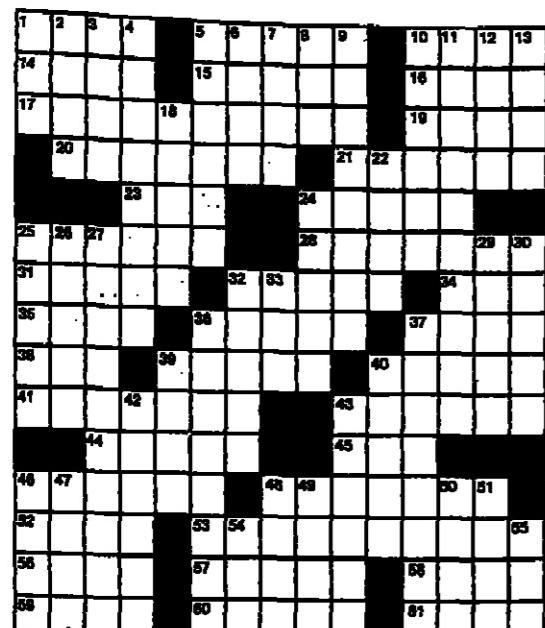
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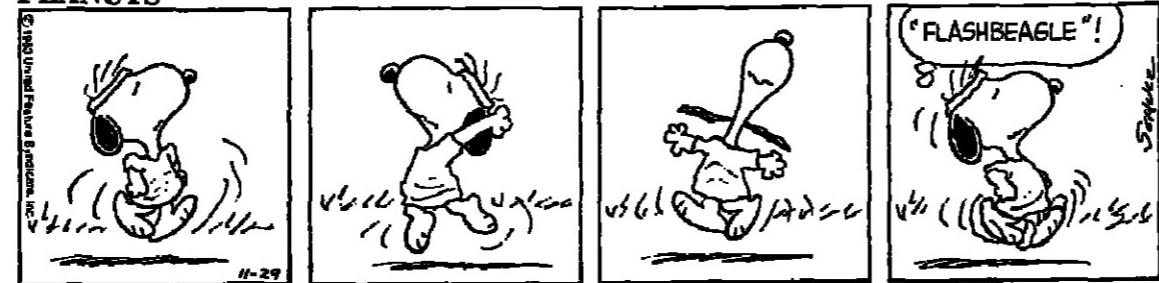
Nov 1.42 1.44 1.42 1.42 - .02

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Est. Sales 1.42 1.44 1.42 1.42 - .02



PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



© New York Times, edited by Eugene Maleska.

DENNIS THE MENACE



'I DON'T WANT HIM TO FEEL AT HOME HERE... I WANT HIM TO FEEL AT HOME AT HOME!'

JUMBLE

THAT SCRABBLEWORD GAME

by Hank Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

BIMOL

HURCS

CHATED

GINKAB



Now arrange the circled letters to form the known answer, as suggested by the above cartoon.

ANSWER TO A

(Answers tomorrow)

Yesterday's Jumbies TABOO GAVEL BOASTY DAMAGE

The former became angry when someone managed to do this — GET HIS GOAT

WEATHER

EUROPE ASIA

	HIGH	LOW	HIGH	LOW
Akrotiri	C	F	C	F
Athènes	18	44	145°	17
Amsterdam	S	45	45	45
Belo Horizonte	10	55	85	75
Buenos Aires	10	55	85	75
Brasília	10	55	85	75
Bruxelles	10	55	85	75
Bruxelles	10	55	85	75
Bucharest	10	55	85	75
Budapest	10	55	85	75
Calcutta	10	55	85	75
Caracas	10	55	85	75
Colombia	10	55	85	75
Dakar	10	55	85	75
Edimbourg	10	55	85	75
Einsiedeln	10	55	85	75
Estoril	10	55	85	75
Funchal	10	55	85	75
Geneve	10	55	85	75
Helsinki	10	55	85	75
Istanbul	10	55	85	75
Las Palmas	10	55	85	75
Lisbon	10	55	85	75
Ljubljana	10	55	85	75
Madrid	10	55	85	75
Milan	10	55	85	75
Minsk	7	45	45	45
Mölnlycke	10	55	85	75
Nicosia	10	55	85	75
Paris	10	55	85	75
Prague	10	55	85	75
Rome	10	55	85	75
Rome	10	55	85	75
Stockholm	10	55	85	75
Venice	10	55	85	75
Vienna	10	55	85	75
Wiesbaden	7	45	45	45
Zürich	7	45	45	45

cloudy; to-hazy; to-haze; h-hall; h-overcast; as-hazy cloudy rain; sh-shower; sh-show; sh-dormy.

TUESDAY'S FORECAST — CHANNEL: Dover, FRANKFURT: Cloudy, Temp. 61-67°. LONDON: Overcast, Temp. 11-18°. MADRID: Partly cloudy, Temp. 17-19°. PARIS: Partly cloudy, Temp. 10-12°. ROME: Partly cloudy, Temp. 17-19°. TOKYO: Partly cloudy, Temp. 17-19°. ZÜRICH: Showers, Temp. 14-16°. BANGKOK: Showers, Temp. 27-29°. HONG KONG: Showers, Temp. 18-20°. SINGAPORE: Showers, Temp. 25-27°. THAILAND: Thunderstorms, Temp. 25-27°. TOKYO: Fair, Temp. 11-15° (52-61).

MONTREAL

Total Sales 1,151,072 shares

INTERNATIONAL HERALD TRIBUNE, TUESDAY, NOVEMBER 29, 1983

BOOKS

THE BUTCHER OF LYONS:
THE STORY OF THE INFAMOUS
NAZI, KLAUS BARBIEBy Brendan Murphy. Illustrated. 336 pp. \$13.95.
Empire Books, 527 Madison Avenue, New York, N.Y. 10022.

Reviewed by Anatole Broyard

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LYONS was both a center of the French Resistance and the capital of French Jewry, and it was Klaus Barbie's assignment to penetrate and destroy the Resistance and to harass, deport, or liquidate Jews. In Murphy's account, Barbie enjoyed his work. The author's research has turned up a number of surviving eyewitnesses of Barbie's atrocities, as well as unmistakable incriminating documents, some of them signed by him.

While our age seems to be fascinated by horror, some readers will be sickened by the repeated accounts of the torturing and killing of Resistance "suspects" and the almost casual murder of hundreds of Jews in and around Lyons. Yet there are moments of almost incredible pathos too in "The Butcher of Lyons."

From a truckload of condemned men comes the sound of singing: It is "the song of departure," to which, unfortunately, Murphy does not give us the words. During a forced march in 1943, a young Jewish girl is reunited with her father and a German guard tells him to kiss his daughter. Just as they are about to embrace, the father is shot through the head. At a secret school for Jewish children, a young French teacher says that the children were grotesquely silent and secretive, having been taught that to talk about anyone was to compromise them.

At one time, Murphy writes, there were as many as 400 "physiognomists" walking the

streets of Lyons, looking for Jews. While every country has its share of twisted citizens, we can't help being startled by the French who actively collaborated with the Nazis and by the informers who betrayed the Resistance leaders. Yet these leaders seem almost invariably to have been heroic under torture, so that at times it seems as if "The Butcher of Lyons" describes only heroes and villains.

With the war over, we find Klaus Barbie living under a pseudonym in the U.S. zone in Germany, where he is hired by the U.S. Army Counter Intelligence Corps to spy on suspected French and German Communists. Even after he is identified as a former Nazi, Barbie is kept on because the rationalization goes, there is no one else who can do what he does and the specter of communism is now more of a threat than the memory of Nazism.

From time to time, Murphy says, the French asked the Americans to turn over Barbie to them, but it was too late, according to some of the men the author interviewed. The French would have interrogated Barbie until they learned everything he knew and the Counter Intelligence Corps did not trust the French with such information. Another rationalization was that all the Allies used former Nazis as secret agents. Still another explanation held that Americans were too soft to be just in such confounding circumstances.

When French pressure increased, Murphy writes, the Counter Intelligence Corps had Barbie smuggled out of West Germany as a way of washing his hands of him. Any other nation, one former officer said, would simply have shot him. In Bolivia, Barbie became an "adviser" on arms and intelligence to the government, until a more liberal regime came into power and deported him to France in 1983.

Now, in a Lyons prison, Barbie is awaiting trial for "crimes against humanity," a special designation invented to transcend the state of limitations. His attorney threatens to incriminate French people in high places who, he says, also took advantage of what Murphy calls "the utility of evil."

"The Butcher of Lyons" is laced with personal testimonies, eyewitness accounts and documentary proofs that seem to leave little doubt of what actually happened in the case of Klaus Barbie. Though it is a dismaying book, it's a good one of its kind.

Anatole Broyard is on the staff of The New York Times.

CHESS

By Robert Byrne

VIKTOR KORCHNOI of Switzerland combined precise opening play with his lethal endgame technique to win the first game of his semifinal match for the world chess championship with Gary Kasparov of the Soviet Union.

The Queen's Indian Defense variation with 5 P-QR3, which prevented a pin with ...B-N5 and thus threatened to seize space with 6 P-Q5, has meant extermination for Kasparov's previous opponents. Korchnoi took no chances, using the fianchetto of his king bishop with 7...P-N3 and 9...B-N2 (in place of the usual 7...B-K2) to prepare a super-solid defense of his king.

Kasparov's 13 P-K5 sharply took control of his KB6 square, but it yielded control of his Q5 square to Black. On the very next move, he inconsistently dissolved his pawn center with 14 PxP, surely lacking confidence that it could stand up to pressure.

Korchnoi boldly gave up a pawn with 14...O-O!, foreseeing that its dynamic play was more significant. Whereas he used only 4 minutes for his

first 16 moves, Kasparov had consumed 1 hour 55 minutes.

Korchnoi's 17...BxP recovered a pawn without conceding anything — 18 NxP? QxN? 19 B-K6, QxP? Q6, N-Q2 enables Black to keep two minor pieces for a rook.

After 19...KxP, Korchnoi enjoyed a slight positional superiority since Kasparov's QB and QRP's were weak, while Korchnoi had only one weak pawn at QN1.

Korchnoi's penetration with 32...R-Q7 threatened 33...N-K5, winning a pawn. Defense by 33 R-KB1, R-B7; 34 R-QB4, P-R1 would leave White helpless against 35...R-Q1 followed by 36...R1-Q7.

However, Kasparov's 33 R-Q4 took Korchnoi a pawn after 33...R-K4; NxP!, since 35 BxN, P-QN4 recaptures the piece with a rook-and-pawn ending won for Black.

Had Kasparov played 42 K-Q3, he still would not have stopped 42...R-Pt!, since 43 KxR, P-N7 lets the passed pawn promote.

After 52...P-B6, it was futile to proceed with 53 R-R7ch, K-B3; 54 R-R6ch, K-N4; 55 R-R8, P-B7; 56 R-KB8,

R-K7; 57 K-B4, P-K5, because the black pawns cannot be stopped. Thus, Kasparov gave up.

Position after 32 R-Q4

QUEENS IN CHAOS

Korchnoi's

SPORTS

Toronto Wins Grey Cup, 18-17*The Associated Press*

VANCOUVER, British Columbia — Quarterback Joe Barnes came off the bench here Sunday to lead Toronto to its first Canadian Football League championship in 31 years as the Argonauts edged the British Columbia Lions, 18-17, in the Grey Cup game.

Klaus Denehy, the U.S. team's coach, said by telephone: "It's a great achievement."

Barnes, who had been

injured since the start of the season, led the Lions to victory after the Argonauts had taken a 17-16 lead.

In the second half, Hank Ilesic kicked two singles and a field goal to draw the Argonauts to within five points at 17-12.

Toronto went for a two-point conversion following their winning score but Barnes' pass fell incomplete.

Roy Dewalt had safety British Columbia's 1973 conference lead with two touchdown passes, the first a 45-yarder to Maynard Fernandez at 12:35 of the opening period. The perfectly thrown strike hit Fernandez in full stride between two Toronto defenders.

In the second period, Dewalt marched the Lions 85 yards, cap-

ping the drive at 12:27 with a 20-yard scoring pass to running back John Henry White, who leaped high in the end zone and wrested the ball from two defenders.

With starting quarterback Condrade Holloway unable to pass more than seven yards on the board, Barnes came in and took the Argonauts to their first title since 1952.

It also was the first time since 1977 that an Eastern Division team has won the championship.

A capacity crowd of 59,345 roared approval as British Colum-

bia defensive back Larry Crawford picked off a Holloway pass on the second play of the game.

But the Lions could not get started either, and the two teams traded punts on their next four possessions.

Then, with Crawford gathering

in Ilesic's punt and returning it eight yards, the Lions began their first touchdown drive from their own 32-yard line.

Dewalt, who led British Colum-

bia to the Western Division title,

threw seven yards to White before

Ray Strong burst through the left side for 16 yards to the center of the final period.

Earlier in the second half, Hank

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